

E. 78, C.S. #1

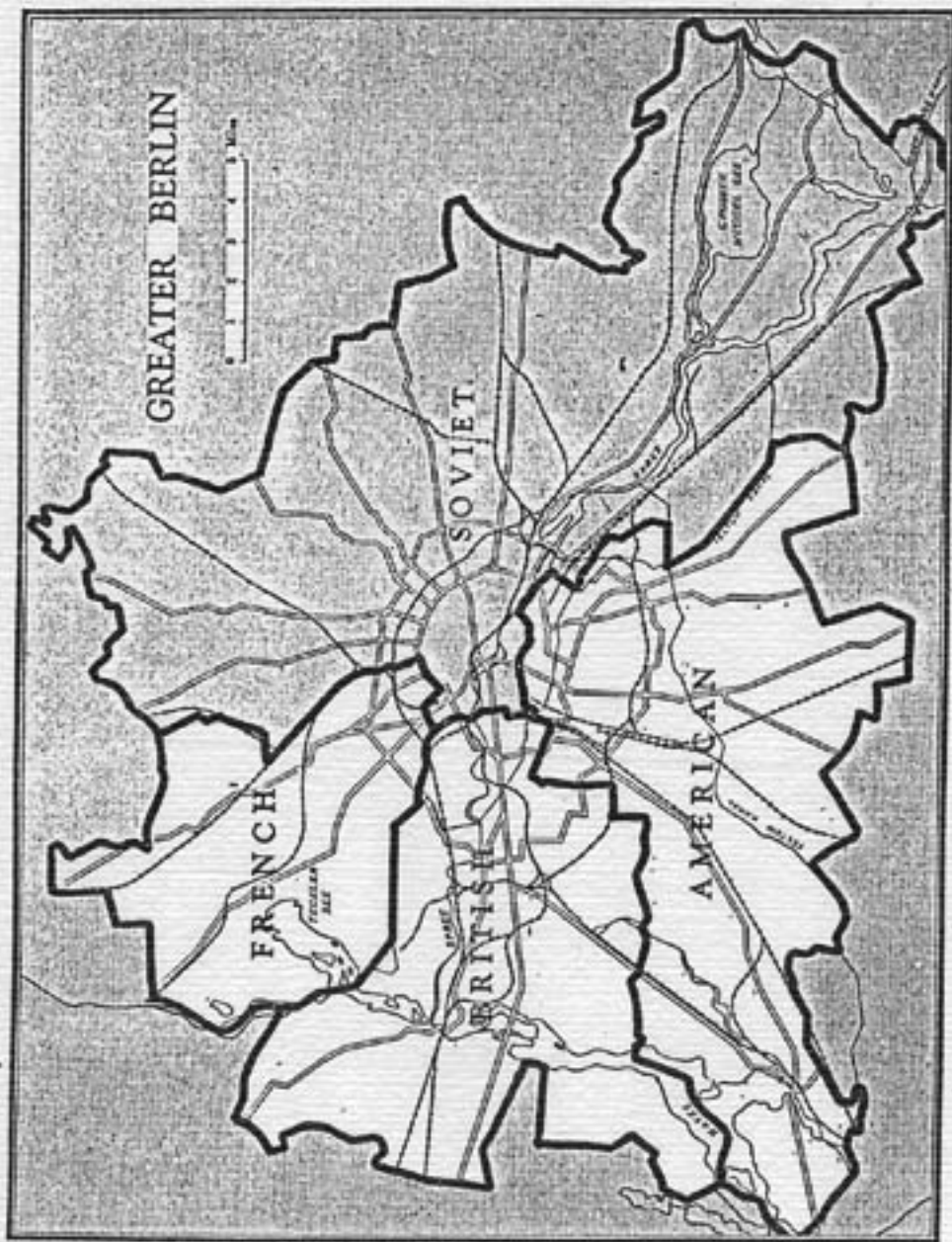
The Berlin Crisis

A REPORT ON THE
MOSCOW DISCUSSIONS

1948

THE DEPARTMENT OF STATE

GREATER BERLIN



The Berlin Crisis

A REPORT ON THE MOSCOW DISCUSSIONS

1948

Including text of a note addressed to the Soviet Government on September 26 by the Governments of the United States, the United Kingdom, and France



DEPARTMENT OF STATE

Publication 3298 *

European and British Commonwealth Series 1

Released September 1948

DIVISION OF PUBLICATIONS
OFFICE OF PUBLIC AFFAIRS

Contents

	Page
INTRODUCTION.....	VII
SECTION I: SOVIET INTERFERENCE WITH ACCESS TO BERLIN.....	1
SECTION II: THE MOSCOW DISCUSSIONS.....	7
EXCHANGE OF NOTES ON BERLIN CRISIS.....	7
The American Note of July 6.....	7
The Soviet Note of July 14.....	10
PRELIMINARIES TO STALIN MEETING.....	15
Western Request for Discussions With Stalin and Molotov.....	15
U. S. <i>Aide-Mémoire</i> of July 30.....	15
Conversation With Zorin, July 30.....	16
Preliminary Meeting With Molotov, July 31.....	17
THE FIRST MEETING WITH STALIN, AUGUST 2, AND HIS PROPOSALS.....	17
Reaction to Stalin Meeting.....	20
DRAFTING MEETINGS WITH FOREIGN MINISTER MOLOTOV.....	22
The Initial Western Draft, August 6.....	22
Mr. Molotov's Counter-draft, August 9.....	23
Fundamental Differences (Statement by Ambassador Smith on behalf of the Three Powers, August 12; Mr. Molotov's reaction; Western draft text, August 17; Mr. Molotov's counter-draft, August 17).....	24
THE SECOND MEETING WITH STALIN ON AUGUST 23 (Certain statements by Stalin, August 23; certain U.S. views telegraphed to Smith; draft communiqué and direc- tive worked out with Molotov and Vishinsky, August 27; directive sent to Military Governors in Berlin, August 30).....	35
THE TECHNICAL DISCUSSIONS IN BERLIN, AUGUST 31- SEPTEMBER 7.....	42

SECTION II: THE MOSCOW DISCUSSIONS—Continued	
A NEW AIDE-MÉMOIRE OF THE THREE GOVERNMENTS DELIVERED IN MOSCOW SEPTEMBER 14 (Mr. Molotov's <i>Aide Mémoire</i> of September 18 in reply; and note delivered by the Three Governments to Soviet Embassies in Washington, London, and Paris on September 22).....	44
SOVIET NOTE OF SEPTEMBER 25.....	51
COMMUNiqué ISSUED IN PARIS ON SEPTEMBER 26 BY THE FOREIGN MINISTERS OF FRANCE, THE UNITED KINGDOM, AND THE UNITED STATES (and note delivered on September 26 by the Acting Secretary of State in Washington to the Soviet Ambassador).....	55

Introduction

IN VIEW of the breakdown of the discussions at Moscow between representatives of the Western Powers and the Soviet Union, centering upon the Berlin crisis, it is appropriate to review the events leading to that breakdown and to place on record the documents in the case.

By agreement among the three Western Governments, joint statements made during the course of these discussions in Moscow on behalf of all three were presented by the senior representative, Ambassador Smith. Communications made separately or in parallel are indicated by the context.

Soviet Interference with Access to Berlin

THE SOVIET GOVERNMENT has maintained first that its measures restricting communications, transport and commerce between Berlin and Western Germany were necessitated by "technical difficulties" and then that they were "defensive" against conditions created by the currency reform in Western Germany and Western Berlin. The following chronological record of events reveals that many of the Soviet restrictive measures were imposed months before the currency reform and that they have been systematic products of a deliberate coercive purpose rather than the results of "technical difficulties":

On March 30, 1948, ten days after the Soviet Delegation had walked out of the Allied Control Council meeting, the Soviet Deputy Military Governor, General Dratvin, stated in a letter to the United States Military Government that supplementary provisions regarding communications between the Soviet and US zones of occupation in Germany would go into effect on April 1, 1948. These provisions, which were contrary to practice established since the quadripartite occupation of Berlin, set forth that:

(1) US personnel traveling through the Soviet zone by rail and highway must present documentary evidence of identity and affiliation with the US Military Administration of Germany;

(2) Military freight shipments from Berlin to the Western zones must be cleared through Soviet check points by means of a Soviet permit; freight shipments into Berlin would be cleared by accompanying documents;

(3) All baggage must be inspected at Soviet check points, with the exception of personal belongings of US personnel carried in a passenger railway car or a passenger automobile.

Similar letters were delivered to the British and French Military Government authorities.

On March 31 the Chief-of-Staff, US Military Government, replied that the new provisions were not acceptable and that such unilateral changes of policy could not be recognized. In this letter General Gailey states:

"I am prepared to have each train commandant of passenger trains furnish you at an established entry point a passenger list accompanied by copies of the orders of each passenger. Likewise each train commandant of freight trains will furnish you at the entry point with a manifest of cargo.

"However I cannot agree to permit your representatives to enter these trains for the purpose of examining individual documentation or belongings or inspecting cargo.

"I shall be glad to discuss with you or your representatives the procedure which I have outlined above, although not on 24 hours notice."

In the same letter, General Gailey also stated:

"The agreement under which we entered Berlin clearly provided for our free and unrestricted utilization of the established corridors. This right was a condition precedent to our entry into Berlin and our final evacuation of Saxony and Thuringia. I do not consider that the provisions you now propose are consistent with this agreement."

In his reply of April 3, General Dratvin challenged this statement and claimed that there was no agreement "concerning the orderless and uncontrolled traffic of freight and personnel through the territory of the Soviet Zone of occupation". He termed the new regulations "an internal matter" concerning the Soviet occupation authorities and saw no possibility of changing the new regulations.

In his reply of April 4, General Gailey pointed out that on June 29, 1945 a clear understanding was reached between Marshal Zhukov and US representatives that the US Forces in Berlin would have free and unrestricted use of the established corridors to meet their requirements, subject only to normal regulation of movements. He reiterated our willingness to provide appropriate documents for both passenger and freight trains, made up as military trains, but refused to agree to

entry of representatives of another power into our military trains while in transit between Berlin and our zone of occupation.

Meanwhile, on April 1, two US passenger trains were stopped at the Soviet zone border and turned back upon refusing to accept Soviet inspection. Two British trains were turned back under the same condition.

Beginning April 1, the Soviet authorities refused to permit mail cars containing packages to depart from Berlin to the west, and demanded the filing of additional forms, the character of which was not adequately clarified. On April 3, 1948, the Soviet authorities closed the Hamburg-Berlin and Bavaria-Berlin rail routes requiring all freight to move to Berlin via Helmstedt.

On April 2 the Soviet authorities requested the American authorities to close down effective May 1, the US aid station which was midway on the only automobile highway available between Berlin and Helmstedt. Later they also requested removal by April 15 of US Signal Corps personnel stationed in the Soviet zone at Weimar for the maintenance of repeater stations required for our official telephone communications with Berlin. The British received a similar request to remove their Signal Corps men from Magdeburg. The request was protested by our letter of April 9, but the personnel were removed on April 14.

On April 20 the Soviet authorities imposed the requirement for individual clearance of barges moving through the Soviet zone to and from Berlin. Protest by the British had no effect.

On April 23 international train service from Berlin was suspended by a Soviet order prohibiting the two international coaches from being attached to the interzonal train between Berlin and Osnabrueck.

On May 20 a new documentation requirement for barge traffic entering the Soviet zone was instituted. When British authorities thereupon reciprocally introduced similar requirements on barge traffic, a temporary suspension of all barge traffic across zonal boundaries resulted. Subsequently this traffic was resumed for a time on a reciprocal basis.

On June 9 the Soviet authorities introduced unilaterally new regulations for German travel into the Soviet zone, demanding special authorization in contravention of Allied Control Council directives.

On June 9 the Soviet authorities, by orders to German Railway officials, tried to interfere with operations in the railroad yards in the US sector of Berlin. This interference was prevented by the appearance of US military guards.

On June 11 the Soviet authorities stopped all eastbound railway traffic at the entrance point (Helmstedt) but resumed accepting traffic to Berlin on the next day.

On June 12 the Soviet authorities announced the closing of the Elbe Bridge on the Autobahn between Berlin and the West for repairs. A detour and ferry service were arranged.

On June 16 the Soviet Delegation walked out of the Allied Kommandatura of Berlin.

After the announcement on June 18 of the currency reform for all of Western Germany (but not Western sectors of Berlin), the Soviet authorities on June 19 suspended all passenger train traffic between Western and Eastern zones. All road traffic from Western zones into the Soviet zone, including traffic on the Autobahn to Berlin, was also stopped. Incoming rail freight was reduced in volume by change of technical procedures and water transport was subject to stricter regulations.

The French Commandant, Chairman of the Berlin Kommandatura, invited on June 19 the other members to a special meeting to discuss the effects of the currency reform on Berlin, but the Soviet member declined the invitation.

On June 22 at the request of the three Western powers, a quadripartite meeting of financial and economic advisers took place in Berlin to discuss the problem of currency for Berlin. The Soviet representative insisted that there could be no currency for Berlin different from the currency of the surrounding Soviet zone. They would not accede to quadripartite control of the currency for Berlin. Immediately after the meeting the Soviet authorities issued their orders for currency reform in the Soviet zone and *all* of Berlin.

In view of the inability to obtain agreement on a currency for Berlin under quadripartite control, the Western allies informed the Soviet authorities of their intention to introduce into the Western sectors of Berlin the new Deutsche mark of the Western zones (overstamped "B" for Berlin). The public announcement was made on June 23.

On June 23 the Soviet authorities suspended all railroad passenger and freight traffic into Berlin, because of alleged "technical difficulties" on the Berlin-Helmstedt rail line. They also stopped barge traffic on similar grounds.

Shortly before midnight of June 23 the Soviet authorities issued orders to the Berlin central electric switch-control station (located in their sector) to disrupt delivery of electric power from Soviet zone

and Soviet sector plants to the Western sectors. Shortage of coal was given as a reason for this measure.

Soviet traffic restrictions issued on June 19 were followed by subsequent prohibitions in the following week. West-bound road traffic only was still permitted for a time, subject to Soviet control at check points. Mail and parcel post traffic was completely suspended. On June 24, because of these unacceptable restrictions, the American and British authorities ordered all freight trains from US and British zones to the Soviet zone stopped. Traffic from the East continued to be accepted.

On June 24 the Soviet authorities issued orders prohibiting the distribution of any supplies from the Soviet zone to the Western sectors of Berlin thereby violating a Four Power agreement for supplying Berlin from a common pool. The Western powers thereupon forbade distribution of any supplies from Western sources to the Soviet sector of Berlin.

On June 26 General Robertson in a letter to Marshal Sokolovsky protested against interruption of essential freight traffic between Berlin and the West.

On June 29 Marshal Sokolovsky answered General Robertson's letter. He described the restrictions on interzonal passenger traffic as connected with the currency exchange and announced the re-establishment of rail facilities for movement of the German population. He declared that the restrictions on motor traffic must be retained to prevent conveyance to Berlin of currency from the Western zones. He announced that the technical defects on the railroad line were in process of elimination and his expectation that traffic would recommence as soon as possible. He protested against British stoppage of freight train movements between the Soviet and the British zones.

General Robertson answered this letter on July 3, stressing the positive elements of the letter and reiterating his willingness to discuss use of one currency in Berlin. He repeated his request for resumption of normal transportation facilities between Berlin and the West.

On July 3, Generals Robertson, Noiret and Clay visited Marshal Sokolovsky. General Robertson inquired what the technical difficulties were which according to Sokolovsky's letter were holding up train traffic. He asked for assurance that traffic could be resumed at an early date, and when. He further drew attention to the fact that no alternative routes had been made available. Marshal Sokolovsky stated that the question raised by Robertson was important to the Western allies and that they wanted it treated alone, whereas there

were other questions important to him. He continued that he had never said that traffic on the railway was held up for other than technical reasons and that these reasons still applied. He declared at length that the Western allies as a result of their London conference had created economic disorders in the Soviet zone which made it impossible to provide alternate routes. He reiterated that the present stoppage was for technical reasons, although he would not guarantee that when these technical difficulties had been cleared, others might not occur elsewhere.

It became thus evident that further endeavors by the Western Military Governors to settle the Berlin problem locally would serve no useful purpose.

The Moscow Discussions

Exchange of Notes on Berlin Crisis

THE GOVERNMENTS of the United States, the United Kingdom and France decided to make formal representations to the Government of the USSR. The three Western powers on July 6 delivered similar notes to the Soviet representatives in Washington, London and Paris.

The American Note of July 6. In the American note, the Soviet Government was informed that the United States regarded the blockade measures as "a clear violation of existing agreements concerning the administration of Berlin by the four occupying powers." The United States categorically asserted that it was in occupation of its sector of Berlin with free access thereto "as a matter of established right deriving from the defeat and surrender of Germany and confirmed by formal agreements among the principal Allies." The United States also emphatically declared that it would "not be induced by threats, pressures or other actions to abandon these rights."

This consideration, together with responsibility for the physical well-being of the population of its sector of Berlin, including hundreds of thousands of women and children, obliged the United States to insist that "in accordance with existing agreements the arrangements for the movement of freight and passenger traffic between the western zones and Berlin be fully restored." The United States emphasized again its willingness to settle by negotiation, or by any of the other peaceful methods provided for in article 33 of the Charter of the United Nations, any disagreement which might exist between the USSR and the United States over the administration of Berlin, but it stressed that such negotiation could not be entered

into as a result of duress. Specifically, the United States offered, once blockade measures were lifted, to participate in negotiations in Berlin among the four Allied Occupying Authorities. The full text of the American note follows:

"The United States Government wishes to call to the attention of the Soviet Government the extremely serious international situation which has been brought about by the actions of the Soviet Government in imposing restrictive measures on transport which amount now to a blockade against the sectors in Berlin occupied by the United States, United Kingdom and France. The United States Government regards these measures of blockade as a clear violation of existing agreements concerning the administration of Berlin by the four occupying powers.

"The rights of the United States as a joint occupying power in Berlin derive from the total defeat and unconditional surrender of Germany. The international agreements undertaken in connection therewith by the Governments of the United States, United Kingdom, France and the Soviet Union defined the zones in Germany and the sectors in Berlin which are occupied by these powers. They established the quadripartite control of Berlin on a basis of friendly cooperation which the Government of the United States earnestly desires to continue to pursue.

"These agreements implied the right of free access to Berlin. This right has long been confirmed by usage. It was directly specified in a message sent by President Truman to Premier Stalin on June 14, 1945, which agreed to the withdrawal of United States forces to the zonal boundaries, provided satisfactory arrangements could be entered into between the military commanders, which would give access by rail, road and air to United States forces in Berlin. Premier Stalin replied on June 16 suggesting a change in date but no other alteration in the plan proposed by the President. Premier Stalin then gave assurances that all necessary measures would be taken in accordance with the plan. Correspondence in a similar sense took place between Premier Stalin and Mr. Churchill. In accordance with this understanding, the United States, whose armies had penetrated deep into Saxony and Thuringia, parts of the Soviet zone, withdrew its forces to its own area of occupation in Germany and took up its position in its own sector in Berlin. Thereupon the agreements in regard to the occupation of Germany and Berlin went into effect. The United States would not have so withdrawn its troops from a large area now occupied by the Soviet Union had there been any

doubt whatsoever about the observance of its agreed right of free access to its sector of Berlin. The right of the United States to its position in Berlin thus stems from precisely the same source as the right of the Soviet Union. It is impossible to assert the latter and deny the former.

"It clearly results from these undertakings that Berlin is not a part of the Soviet zone, but is an international zone of occupation. Commitments entered into in good faith by the zone commanders, and subsequently confirmed by the Allied Control Authority, as well as practices sanctioned by usage, guarantee the United States together with other powers, free access to Berlin for the purpose of fulfilling its responsibilities as an occupying power. The facts are plain. Their meaning is clear. Any other interpretation would offend all the rules of comity and reason.

"In order that there should be no misunderstanding whatsoever on this point, the United States Government categorically asserts that it is in occupation of its sector in Berlin with free access thereto as a matter of established right deriving from the defeat and surrender of Germany and confirmed by formal agreements among the principal Allies. It further declares that it will not be induced by threats, pressures or other actions to abandon these rights. It is hoped that the Soviet Government entertains no doubts whatsoever on this point.

"This Government now shares with the Governments of France and the United Kingdom the responsibility initially undertaken at Soviet request on July 7, 1945, for the physical well-being of 2,400,000 persons in the western sectors of Berlin. Restrictions recently imposed by the Soviet authorities in Berlin have operated to prevent this Government and the Governments of the United Kingdom and of France from fulfilling that responsibility in an adequate manner.

"The responsibility which this Government bears for the physical well-being and the safety of the German population in its sector of Berlin is outstandingly humanitarian in character. This population includes hundreds of thousands of women and children, whose health and safety are dependent on the continued use of adequate facilities for moving food, medical supplies and other items indispensable to the maintenance of human life in the western sectors of Berlin. The most elemental of these human rights which both our Governments are solemnly pledged to protect are thus placed in jeopardy by these restrictions. It is intolerable that any one of the occupying authorities should attempt to impose a blockade upon the people of Berlin.

"The United States Government is therefore obliged to insist that in accordance with existing agreements the arrangements for the movement of freight and passenger traffic between the western zones and Berlin be fully restored. There can be no question of delay in the restoration of these essential services, since the needs of the civilian population in the Berlin area are imperative.

"Holding these urgent views regarding its rights and obligations in the United States sector of Berlin, yet eager always to resolve controversies in the spirit of fair consideration for the viewpoints of all concerned, the Government of the United States declares that duress should not be invoked as a method of attempting to dispose of any disagreements which may exist between the Soviet Government and the Government of the United States in respect of any aspect of the Berlin situation.

"Such disagreements if any should be settled by negotiation or by any of the other peaceful methods provided for in Article 33 of the Charter in keeping with our mutual pledges as copartners in the United Nations. For these reasons the Government of the United States is ready as a first step to participate in negotiations in Berlin among the four Allied Occupying Authorities for the settlement of any question in dispute arising out of the administration of the city of Berlin. It is, however, a prerequisite that the lines of communication and the movement of persons and goods between the United Kingdom, the United States and the French sectors in Berlin and the Western Zones shall have been fully restored.

"Accept, Excellency, the renewed assurances of my highest consideration."

The Soviet Note of July 14. The Soviet reply to the American note, dated July 14, 1948, contained no reference to the previous explanation of the blockade measures as due to "technical difficulties." Rather, it was now openly admitted that the blockade was in effect retaliation against actions of the Western powers in their own occupation zones of Germany. For the first time, and despite all agreements to the contrary, the Soviet Government put forward the claim that Berlin "is a part of" the Soviet zone. The Soviet note ended with the contention that Berlin problems were inseparably linked with questions involving the whole of Germany and that negotiations would be effective only if they encompassed the entire German situation. Moreover, the Soviet Government refused to permit restoration of the lines of communication between the Western zones and

Berlin, which restoration had been declared by the United States Government to be a prerequisite for any negotiations. Translated text of the reply follows:

"1. The Soviet Government has familiarized itself with the note of the Government of the United States of America of July 6, 1948 in which the situation which has been created at the present time in Berlin is described as a result of measures taken by the Soviet side. The Soviet Government cannot agree with this statement of the Government of the United States and considers that the situation which has been created in Berlin has arisen as a result of violation by the Governments of the United States of America, Great Britain, and France of agreed decisions taken by the four powers in regard to Germany and Berlin which [violation] has found its expression in the carrying out of a separate currency reform, in the introduction of a special currency for the western sectors of Berlin and in the policy of the dismemberment of Germany. The Soviet Government has more than once warned the Governments of the United States of America, Great Britain, and France in regard to the responsibility which they would take upon themselves in following along the path of the violation of agreed decisions previously adopted by the four powers in regard to Germany. The decisions adopted at the Yalta and Potsdam Conferences and also the agreement of the four powers concerning the control mechanism in Germany have as their aim the demilitarization and democratization of Germany, the removal of the base itself of Germany militarism and the prevention of the revival of Germany as an aggressive power and thereby the transformation of Germany into a peace-loving and democratic state. These agreements envisage the obligation of Germany to pay reparations and thereby to make at least partial compensation for the damage to those countries which suffered from German aggression. In accordance with these agreements the Governments of the four powers took upon themselves the responsibility for the administration of Germany and bound themselves jointly to draw up a statute for Germany or for any areas including Berlin which were part of German territory and to conclude with Germany a peace treaty which should be signed by a Government of a democratic Germany adequate for that purpose.

"These most important agreements of the four powers in regard to Germany have been violated by the Governments of the United States of America, Great Britain, and France. Measures for the demilitarization of Germany have not been completed and such a very important center of German military industry as the Ruhr district

has been taken out from under the control of the four powers. The execution of decisions concerning reparations from the western zones of occupation of Germany has been interrupted by the Governments of the U. S. A., the U. K., and France. By the separate actions of the Governments of the U. S. A., Great Britain, and France the four power control mechanism in Germany has been destroyed and the Control Council as a result thereof has ceased its activity.

"Following the London meeting of the three powers with the participation of Benelux, measures have been undertaken by the Governments of the U. S. A., Great Britain, and France directed towards the division and dismemberment of Germany including preparations which are now in progress for the designation of a separate Government for the western zones of Germany and the separate currency reform for the western zones of occupation carried out on June 18th of this year.

"In as much as the situation created in Berlin as well as in all Germany is the direct result of the systematic violation by the Governments of the U. S. A., Great Britain, and France of the decisions of the Potsdam Conference and also of the agreement of the four powers concerning the control mechanism in Germany, the Soviet Government must reject as completely unfounded the statement of the Government of the U. S. to the effect that the measures for the restriction of transport communications between Berlin and the western zones of occupation of Germany introduced by the Soviet command for the defense of the economy of the Soviet zone against its disorganization are allegedly in violation of the existing agreements concerning the administration of Berlin.

"2. The Government of the U. S. declares that it is occupying its sector in Berlin by right arising out of the defeat and capitulation of Germany, referring in this connection to agreements between the four powers in regard to Germany and Berlin. This merely confirms the fact that the exercise of the above mentioned right in regard to Berlin is linked to the obligatory execution by the powers occupying Germany of the four power agreements concluded among themselves in regard to Germany as a whole. In conformity with these agreements Berlin was envisaged as the seat of the supreme authority of the four powers occupying Germany, in which connection the agreement concerning the administration of 'Greater Berlin' under the direction of the Control Council was reached.

"Thus the agreement concerning the four power administration of Berlin is an inseparable component part of the agreement for the

four power administration of Germany as a whole. After the U. S. A., Great Britain, and France by their separate actions in the western zones of Germany destroyed the system of four power administration of Germany and had begun to set up a capital for a Government for Western Germany in Frankfurt-am-Main, they thereby undermined as well the legal basis which assured their right to participation in the administration of Berlin.

"The Government of the United States in its note points out that its right to be in Berlin is based also on the fact that the United States withdrew its forces from certain regions of the Soviet zone of occupation into which they had penetrated during the period of hostilities in Germany, and that if it [the United States Government] had foreseen the situation, which has been created in Berlin, it would not have withdrawn its forces from those regions. However, the Government of the United States well knows that in removing its troops to the boundaries of the American zone established by agreement of the four powers concerning zones of occupation in Germany it was only carrying out an obligation which it had taken upon itself, the execution of which could alone accord the right of the entry of the troops of the U. S. into Berlin. An examination of the letter referred to in the note of the Government of the U. S. A. of President Truman to Premier Stalin of June 14, 1945 and the letter in reply of Premier Stalin of June 16, 1945 confirms the fact that, thanks to the agreement then reached, the forces of the U. S. A., Great Britain, and France were given the opportunity to enter not only the capital of Germany Berlin, but also the capital of Austria Vienna, which as is known, were taken only by the forces of the Soviet Army. In addition, it is known that the agreements referred to concerning the question of Berlin and also of Vienna were only a part of the agreements concerning Germany and Austria upon the fulfillment of which the Soviet Government continues to insist.

"3. The Government of the United States declares that the temporary measures put into effect by the Soviet Command for the restriction of transport communications between Berlin and the western zones have created difficulties in supplying the Berlin population of the western sectors. It is impossible, however, to deny the fact that these difficulties were occasioned by the actions of the Governments of the U. S. A., Great Britain and France, and primarily by their separate actions in the introduction of new currency in the western zones of Germany and special currency in the western sectors of Berlin.

"Berlin lies in the center of the Soviet zone and is a part of that

zone. The interests of the Berlin population do not permit a situation in which in Berlin or only in the western sectors of Berlin there shall be introduced special currency which has no validity in the Soviet zone. Moreover, the carrying out of a separate monetary reform in the western zones of Germany has placed Berlin and the whole Soviet zone of occupation as well in a situation in which the entire mass of currency notes which were cancelled in the western zone threatened to pour into Berlin and the Soviet zone of occupation of Germany.

"The Soviet Command has been forced therefore to adopt certain urgent measures for the protection of the interests of the German population and also of the economy of the Soviet zone of occupation and the area of 'Greater Berlin'. The danger of the disruption of the normal economic activity of the Soviet zone and of Berlin has not been eliminated even at the present time, in as much as the United States, Great Britain and France continue to maintain in Berlin their special currency.

"Furthermore, the Soviet Command has consistently displayed and is displaying concern for the well being of the Berlin population and for assuring to them normal supply in all essentials and is striving for the speediest elimination of the difficulties which have arisen recently in this matter. In this connection, if the situation requires, the Soviet Government would not object to assuring by its own means adequate supply for all 'Greater Berlin'.

"With reference to the statement of the Government of the United States that it will not be compelled by threats, pressure or other actions to renounce its right to participation in the occupation of Berlin, the Soviet Government does not intend to enter into discussion of this statement since it has no need for a policy of pressure, since by violation of the agreed decisions concerning the administration of Berlin the above-mentioned Governments themselves are reducing to naught their right to participation in the occupation of Berlin.

"4. The Government of the United States in its note of July 6 expresses the readiness to begin negotiations between the four Allied occupying authorities for consideration of the situation created in Berlin but passes by in silence the question of Germany as a whole.

"The Soviet Government, while not objecting to negotiations, considers, however, it necessary to state that it cannot link the inauguration of these negotiations with the fulfilling of any preliminary conditions whatsoever and that, in the second place, four-power conversations could be effective only in the event that they were not limited to

the question of the administration of Berlin, since that question cannot be severed from the general question of four-power control in regard to Germany.

"Accept, Mr. Secretary of State, the assurances of my highest consideration."

Preliminaries to Stalin Meeting

Western Request for Discussions with Stalin and Molotov. The Government of the United States, as well as the Governments of the United Kingdom and France, considered the Soviet reply to their notes of July 6 unsatisfactory. Nevertheless, desiring to leave no stone unturned in the interest of peace, they decided to make another appeal to Soviet authorities. A request for an appointment on July 30 for representatives of the Three Powers to meet with Foreign Minister Molotov met with a reply from Mr. Molotov's principal secretary, Erfeev, to the effect that the Foreign Minister was "on vacation," and the suggestion that in view of Mr. Vishinsky's absence as well, the matter be taken up with Deputy Foreign Minister Zorin. US Ambassador Smith pointed out that the matter was of great importance, and inquired whether Molotov personally might be available "within a few days." Erfeev promised to investigate; but later the same day he reported that since Molotov's vacation had only just begun, it would be necessary for the western representatives to see Zorin. It was decided to present the problem to Zorin. At 6 p. m. on July 30, a meeting with Zorin was held and he was handed by Ambassador Smith the following *aide-mémoire* (similar to those handed simultaneously to Zorin by the British envoy, Mr. Roberts, and by the French Ambassador, Mr. Chataigneau, on behalf of their respective governments):

US Aide-Mémoire. "The United States Government has given the most serious consideration to the note delivered by the Soviet Ambassador in Washington and has exchanged views with the British and French Governments on the similar notes received by these Governments. The United States Government does not accept the contention in the Soviet note that the right of the Western occupying powers to participate in the occupation of Berlin no longer exists, and

while they do not wish to enter into a detailed discussion of the allegations contained in Mr. Panyushkin's note of July 14, they would like to make it plain at the outset that they cannot accept the Soviet version of the facts nor the interpretation placed on them.

"Whatever may be the reasons which have led the Soviet authorities to decide the restriction of communications between Berlin and Western zones of occupation of Germany, whether these reasons be technical as was first stated, or political, as Mr. Panyushkin's note would seem to indicate, the measures taken by the Soviet authorities in Berlin have created an abnormal and dangerous situation, the gravity of which does not need to be emphasized.

"The Soviet reply of July 14 offers no constructive suggestion for the bringing to an end of the abnormal situation in Berlin. Nevertheless the United States Government as any peace-loving government, holds the view that this situation is capable of settlement. They trust that the Soviet Government share this view: the question of negotiation has never been, and is not the issue. The willingness to negotiate in the absence of duress has always been there. In the opinion of the United States Government, the best way to a solution of the present difficulties lies in direct approach. They think that a frank discussion between Generalissimo Stalin and Mr. Molotov on one side and the representative of each of the three Western occupying powers on the other side should give the opportunity of finding a solution. I accordingly have been instructed by my Government to request that you should arrange an interview between Generalissimo Stalin and Mr. Molotov on the one hand and the French Ambassador, the U. K. Charge d'Affaires and myself on the other hand in order to discuss the present situation in Berlin and its wider implications."

Conversation with Zorin. The reaction of Mr. Zorin to the western representation was described by US Ambassador Smith as "uncompromising." Zorin stated that the absence of Mr. Molotov on vacation prevented for the time being the granting of the requested meeting. He then said that there was no indication in the *aide-mémoire* of any change in the position of the US or of any subjects which would make profitable a discussion with Generalissimo Stalin and Mr. Molotov. However, he would transmit the request to his government for consideration. Ambassador Smith replied that the presentation had been brief since the general position of the US had already been made clear. It would be redefined and amplified during the proposed discussions.

Mr. Zorin said that he could only say that the position of the Soviet Government had also been clearly defined in its note of July 14 but that he would, as previously stated, present the request to his government.

Preliminary Meeting with Molotov, July 31. On the day following the Zorin interview, the representatives of the Western powers were informed that separate appointments with Mr. Molotov had been arranged for the same evening. At the meeting with Ambassador Smith, Molotov referred to the *aide-mémoire* and asked what kind of discussion and negotiations the Western Governments had in mind, at present and for the future. On Smith's replying that the *aide-mémoire* was intentionally brief and lacking in detail, since it was the purpose of the proposed conversations to develop necessary detail, Molotov repeated the point made in the Soviet note of July 14 to the effect that conversations regarding Berlin were not practical except within the framework of conversations regarding all of Germany. He then pressed for a statement of US views as to problems relating to Germany as a whole. Ambassador Smith reported that in reply he stated that the formal position of the two governments had been made clear in the two notes which had been exchanged, but the formal written word was very rigid and much more could be accomplished by informal exploration.

Molotov then said that he would report to his government on the US, British, and French approaches; that he hoped Stalin would agree to meet the representatives of the Three Governments; and that his purpose in this talk was simply to clarify our proposals.

The First Meeting With Stalin

The requested interview between representatives of the Western powers on the one side and Stalin and Molotov on the other took place on August 2 at nine in the evening.

Ambassador Smith opened the conversation by presenting the following oral statement to Generalissimo Stalin:

"It is not our purpose at this time to rebut in detail the charges contained in the Soviet note. It is highly important, however, to make completely clear certain fundamental points in the position of the

United States, the United Kingdom and France and to clarify the position of the Soviet Union which in certain respects is obscure. The Three Governments must re-emphasize their right to be in Berlin to be unquestionable and absolute. They do not intend to be coerced by any means whatsoever into abandoning this right.

"Action taken by the Soviets in interfering with rights in connection with occupation, derived through the defeat and surrender of Germany and through international agreement and usage, by interrupting communications between Berlin and the Western zones, thus interfering with duties of Allied Military Forces of Occupation, is viewed with extreme seriousness by the Governments of the United States, the United Kingdom and France. It is incumbent on them to take such measures as are necessary to assure the supply of their forces and discharge of their occupational duties. The United States, the United Kingdom and France do not wish the situation to deteriorate further and assume that the Soviet Government shares this desire. The Three Governments have in mind restrictive measures which have been placed by Soviet authorities on communication between the Western zones of Germany and Western sectors of Berlin. It was the feeling of our Governments that if these measures arose from technical difficulties, such difficulties can be easily remedied. The Three Governments renew their offer of assistance to this end. If in any way related to the currency problem, such measures are obviously uncalled for, since this problem could have been, and can now be, adjusted by representatives of the four powers in Berlin. If, on the other hand, these measures are designed to bring about negotiations among the four occupying powers they are equally unnecessary, since the Governments of the United Kingdom, the United States and France have never at any time declined to meet representatives of the Soviet Union to discuss questions relating to Germany. However, if the purpose of these measures is to attempt to compel the three Governments to abandon their rights as occupying powers in Berlin, the Soviet Government will understand from what has been stated previously that such an attempt could not be allowed to succeed.

"In spite of recent occurrences, the three powers are unwilling to believe that this last reason is the real one. Rather they assume that the Soviet Government shares their view that it is in the interest of all four occupying powers, of the German people and of the world in general to prevent any further deterioration of the position and to find a way by mutual agreement to bring to an end the extremely dangerous situation that has developed in Berlin.

"The Soviet Government will, however, appreciate that the three Governments are unable to negotiate in the situation which the Soviet Government has taken the initiative in creating. Free negotiations can only take place in an atmosphere relieved of pressure. This is the issue. Present restrictions upon communications between Berlin and the Western zones offend against this principle. When this issue is resolved, such difficulties as stand in the way of resumption of conversations on the lines set out above should be removed."

The remainder of the two hour meeting was taken up with a discussion which developed from the points brought out in Ambassador Smith's statement.

Premier Stalin, though emphatically maintaining that it was not the purpose of the Soviet Government to oust allied forces from Berlin, reiterated the contention of the Soviet note of July 14 that the Western powers no longer had a juridical right to occupy Berlin. This of course was categorically rejected in the statement just presented by Smith which declared that the three Western governments "re-emphasize their right to be in Berlin to be unquestionable and absolute. They do not intend to be coerced by any means whatsoever into abandoning this right."

Discussion of the possibility of resumption of negotiations on Berlin and of a Four Power meeting to consider problems relating to Germany as a whole revealed agreement as to the desirability of such developments. But to a suggestion by Stalin as to items to be included in the agenda of a Four Power meeting, the Western representatives replied that they were not in a position to consider an agenda, and that in any event negotiations on broad German problems would not be possible until duress in Berlin was removed.

Stalin developed the argument that the communication restrictions in Berlin had been made necessary because of the decisions taken at London in regard to the establishment of a new German government at Frankfurt and because of the introduction of a special Western currency in Berlin. The Western representatives explained that, contrary to the Generalissimo's apparent understanding, it had never been contemplated that the government at Frankfurt would be a central German government. The agency now to be set up under the London decisions would in no way hamper eventual understanding on a central government for a united Germany. The Western representatives added that they were not authorized to discuss the London decisions. They would report Stalin's views; but in the meanwhile

they felt strongly that agreement should be reached on the immediate issues in regard to Berlin.

At the opening of the meeting, Smith had specified in his prepared statements after emphasizing that the three Western powers were in Berlin as a matter of right and as co-equals, that if the blockade measures were "in any way related to the currency problem, such measures are obviously uncalled for, since this problem could have been, and can now be, adjusted by representatives of the Four Powers in Berlin." There seemed no reason, consequently, why agreement could not immediately be reached with respect to the Berlin situation. However, Smith stated that he was not himself an expert on currency matters and that the Western representatives were not competent to deal with technical arrangements of the currency question; with this view his British and French colleagues associated themselves.

At the end of the discussion Stalin asked whether the Western representatives wanted to settle the matter that night. If so, he could meet them and make the following proposal:

(1) There should be a simultaneous introduction in Berlin of the Soviet zone Deutsche mark in place of the Western mark B, together with the removal of all transport restrictions.

(2) He would no longer ask as a condition the deferment of the implementation of the London decisions although he wished this to be recorded as the insistent wish of the Soviet Government.

Ambassador Smith then asked Stalin about the announcement of a resumption of negotiations on Berlin and holding a Four Power meeting to consider other problems affecting Germany. Stalin said they should be included. Following this the three Western representatives agreed to present Stalin's proposal to their governments.

Reaction to Stalin Meeting. It was the belief of the Western governments that the progress made in the discussion with Stalin and Molotov was such that the settlement of the immediate Berlin crisis could be effected. The Soviet authorities were prepared to remove all transport restrictions between Berlin and the Western zones. Resumption of negotiations on Berlin and a Four Power meeting to consider other outstanding problems affecting Germany was accepted without conditions, although Stalin wished it recorded as the insistent desire of the Soviet Government that the execution of the London decisions with respect to the establishment of a Western German government be suspended until such time as the Four Powers met and tried to reach an agreement concerning Germany.

There remained the problem of working out general details with Molotov, and the arrangement of technical matters regarding the substitution of the Soviet zone mark for the Western B mark in Berlin.

In order, however, that there should be no misunderstanding of the position of the American Government in regard to finalizing the currency proposal developed at the meeting, the following specific instruction was sent to Ambassador Smith:

"We agree to the outline of the draft statement developed at your August 2 meeting with Stalin and Molotov.

"Our acceptance of Soviet zone currency in Berlin *cannot*¹ be unconditional and its use must be subject to some form of quadripartite control. This requirement is essential for the maintenance of our position in Berlin and is made doubly necessary because of Soviet action of the last few days in freezing the accounts of western sector enterprises in Berlin.

"The substitution of the Soviet zone mark for the B mark in Berlin can now be accepted in principle but our agreement must be supplemented by a satisfactory agreement providing for quadripartite control of the availability and use of the Soviet currency in Berlin. In our opinion, confirmed by General Clay, such agreement should include control of credit, uniform application of credit rules and currency issue within Berlin, availability of sufficient funds for occupation powers, and some arrangements to cover trade between the Western zones and Berlin. Arrangements of this character are necessary for the orderly use of separate currencies in the Eastern and Western zones."

Although the interview with Stalin had ended without his having made it a condition precedent to settlement of the Berlin crisis that there should be a suspension of the execution of the London decisions with respect to the establishment of a Western German government, his earlier expressed concern with that development received careful consideration, both by the Western representatives in Moscow and by this Government. Having it in mind, the Department of State sent Ambassador Smith the following for his information in case this question should arise again:

"September 1 does not represent the date of formal establishment of such a governmental organization. It is rather the date on which representatives from the German states will begin the exploratory study of the problems involved in the setting up of the common organ-

¹ Italics not in original document.

ization. It is certainly not intended that any conclusions that they reach shall preclude or contravene any agreement arrived at by the four powers on a government for all Germany."

The Drafting Meetings With Foreign Minister Molotov

On the basis of the foregoing and other similar instructions, as well as points developed in conversations with the British and French, Ambassador Smith joined with his British and French colleagues acting under the instructions of their respective governments in an endeavor to arrive at a draft implementation of the conversation with Prime Minister Stalin to be brought into final form in a further conversation with Foreign Minister Molotov. To this end they then arranged a meeting with the latter which in fact became a drawn-out series of meetings with him, on August 6, 9, 12 and 16, some of them over three hours long, ending in failure to arrive at any satisfactory agreement.

This failure to reach agreement in drafting a concrete implementation of the principles for terminating the Berlin crisis, as discussed with Stalin, resulted from the fact that the fundamental objectives from which Molotov approached the drafting were diametrically opposed to those of the Western representatives. This fundamental conflict is reflected in the differences between the initial draft suggested by the latter, and the counter-draft proposed by Molotov.

The Initial Western Draft. The initial draft proposed by the Western representatives and rejected by Molotov was in the form of a draft communiqué for issuance in the name of the four governments. Its text is as follows:

"As the result of discussions held in Moscow between Generalissimo Stalin and Mr. Molotov, and French, United Kingdom and United States representatives, the Governments of France, the United Kingdom, the United States of America and the Union of Soviet Socialist Republics have agreed as follows:

"All restrictions which have been imposed on the transport of persons and goods in either direction between the three western zones of

Germany and Berlin shall be immediately removed, and freedom of communications shall be maintained.

"Meetings shall be held among representatives of the four governments to consider any questions which may be outstanding as regards Berlin and any other outstanding problems affecting Germany as a whole.

"Soviet zone mark will be accepted as the sole currency for Berlin and the Western mark will be withdrawn as soon as quadripartite arrangements have been agreed upon by the four military governors for the issue and control of currency in Berlin. These arrangements shall ensure: No discrimination or action against holders of either eastern or western zone currency; equal treatment as to currency and provision of fully accessible banking and credit facilities for all sectors of Berlin; adequate funds for budgetary purposes and occupation costs; and a satisfactory basis for trade between Berlin and the western zones. Implementation of these arrangements shall be carried out by the Berlin Kommandatura."

Mr. Molotov's Counter-draft. Mr. Molotov rejected the foregoing draft and, at the second meeting, on August 9, made his own counter-proposal in the following substitute text:

"1. All restrictions which have been imposed after the announcement of currency reform in the western zones on the transport of persons and goods in either direction between the three western zones of Germany and Berlin shall be removed on August 15 and freedom of communications shall be maintained in accordance with the present agreement.

"2. All restrictions which have been imposed after the announcement of currency reform in the western zones on the traffic of goods to and from the Soviet Zone and the three western zones of Germany shall be removed on August 15 and freedom of communications shall be maintained.

"3. Meetings among representatives of the four governments in the form of the Council of Foreign Ministers or a separate conference of representatives of the four powers shall be held in the near future to discuss:

"(A) Any questions which may be outstanding as regards Berlin and

"(B) Any other outstanding problems affecting Germany as a whole.

In the negotiations which took place between representatives of the four powers consideration was given to the wish of the Soviet Government to defer the implementation of the decisions of the London conference on the creation of a west German Government until the results of the above mentioned meeting of representatives of the four governments have been ascertained. In this connection the representatives of the three western powers stated that the governments of these powers do not propose for the time being to deal with the question of the formation of a government for western Germany.

"4. The German mark of the Soviet Zone shall be accepted as from August 15 as a sole currency for Berlin and the western mark 'B' shall be simultaneously withdrawn from circulation in Berlin.

"The regulation of currency circulation in Berlin shall be undertaken by the German bank of emission, of the Soviet zone of occupation through the credit establishments operating at present in Berlin and shall be equally extended to the whole of Berlin without discrimination against any part of Berlin; organizations, enterprises, firms and private persons in Berlin shall be allowed to maintain unhampered trade and economic connections with third countries and the western zones of Germany through the German export-import agency of the Soviet zone.

"Occupation costs resulting from the presence of forces in Berlin shall be met from the budgets of the respective zones of occupation of Germany, Berlin being exempted from defraying occupation costs."

Fundamental Differences. The fundamental differences between these two drafts are evident. The Western draft proceeds from the position that the Western occupation forces in Berlin are there as a matter of established right and seeks to liquidate the present crisis on an orderly basis which would permit the use of the Soviet zone currency throughout Berlin provided that the terms of such use could be agreed upon among the Four Powers and that this agreed use would be under quadripartite control. The Molotov counter-draft proceeds from the position that the Western allies have lost their right to be in Berlin but would be permitted to remain there by "the present agreement" which in turn would enable the Soviet authorities to exercise full economic control over Berlin and to block further development of plans for the formation of a Western German government, while remaining able at any time to resume obstruction of our access to Berlin if they considered we were not complying with "the present agreement."

The Molotov draft provided for lifting of communication restrictions imposed "after the announcement of currency reform in the western zones" (i. e. June 19). This would have meant the continuation of a large number of hampering measures which had been put into effect between March 30 and June 19 and would have constituted tacit acceptance of the Soviet contention that its inauguration of a blockade had been "defensive" in character, a contention which the Western governments categorically rejected. Molotov's version also reintroduced the question of implementation of the London decisions regarding Western Germany, despite the fact that it had been understood at the Stalin meeting that this issue would not constitute a condition to agreement on a settlement of the Berlin crisis. Furthermore, the Molotov draft would have delegated control over Berlin's currency and credit to a bank subject to exclusive Soviet control, and similarly would have entrusted the conduct of Berlin's external trade entirely to a Soviet dominated agency.

The Western representatives immediately voiced their objections to this draft. They said they would of course transmit it to their respective governments but that they were sure that it would be found unacceptable for reasons which they pointed out forthwith. Considerable time was also devoted to an examination of its details in order that the Western representatives might also give their governments the benefit of an analysis of Molotov's thinking concerning it to facilitate the search for some acceptable basis for agreement.

As anticipated by Ambassador Smith, the United States Government found the Molotov formula quite unacceptable. The objections to certain of its features are specified in the following excerpts from instructions sent to Ambassador Smith:

"We find, as you correctly informed Molotov, the Soviet counter-draft unacceptable in its present form. It is apparent from this draft and from the statements of Stalin and Molotov on the subject that the Soviet Govt is seeking to establish its thesis that quadripartite control of Germany and consequently of Berlin as well has lapsed and therefore whatever agreement may be reached in the Moscow discussions will constitute the only (repeat only) Four Power Agreement concerning Berlin. This position is of course completely unacceptable to this Government. We have maintained and will continue to maintain that mere Soviet assertion cannot vitiate the quadripartite agreements, including those defining the rights and duties of the Western Powers in Berlin. We feel it extremely important that this point be covered in order to avoid any misunderstanding in the

future as otherwise the Soviet authorities will probably maintain that the Three Western Powers in effect accepted the Soviet thesis that the previous Four-Power agreements concerning Germany and Berlin are no longer valid and that failing any Four Power agreements at the Council of Foreign Ministers or elsewhere we have no rights in Berlin other than those accorded by the agreements set forth in the proposed announcement. . . .

"As previously stressed, we cannot recognize Berlin as part of the Soviet Zone and it follows from this that we cannot accept the conduct of Berlin's external trade through the medium of the Soviet Zone's trade monopoly. Because of their supplies of food and raw materials to Berlin, the Western nations have a substantial interest in the city, and in seeking agreement on the regulation of trade matters they are asking for no more than an assurance concerning the proper and efficacious use of their contributions. The economic well-being of Berlin depends on the maximum freedom of its trade with the other parts of Germany. In the interest of simplification and in order to obviate a currency war, the Western nations are willing to accept a Soviet zone mark as the sole circulating medium but four-power supervision of its use in Berlin is essential to establish a satisfactory economic relationship between Berlin and the rest of Germany."

The British and French Governments were also unable to accept the Soviet position reflected in Molotov's counter-draft. The three representatives informed him of the positions of their governments in the next meeting which was held on August 12. At this meeting, the following agreed statement was made by Ambassador Smith on behalf of the Three Powers:

"We have now received and compared instructions from our respective governments and find as anticipated at the conclusion of the August 9 conference, that the Soviet proposals in their present form are unacceptable. Mr. Molotov will recall that at the last conference we each directed particular attention to paragraphs 3 and 4 of the Soviet draft and stated they raised issues which our governments regarded as of fundamental importance. I will refer to these issues again during our detailed discussion of the Soviet draft and reemphasize the position of our governments with respect thereto.

"1. The Soviet Government has inserted into the original western draft the words 'after announcement of currency reform in the

western zones'. The other three governments cannot agree to insertion of these words. Their inclusion would mean that certain restrictions on communications between Berlin and the western zones which began long before currency reform took place in western Germany would not be wholly removed. However, as said before, the Governments of France, the United Kingdom and the United States are willing to settle as between the Allied Commanders in Berlin the necessary regulations to prevent illicit black market operations in currency, etc., between the western and eastern zones of Germany or between the western zone of Germany and the western sectors of Berlin, which we understood from Mr. Molotov to be a major concern of the Soviet Government.

"The Soviet draft also inserts at the end of paragraph 1 the words 'in accordance with the present agreements', which are not included in paragraph 2. Our governments are unable to accept these words which imply a new agreement is now being made derogatory to or possibly even invalidating established rights of the French, British and American Governments in regard to Berlin. These rights were clearly set forth in the oral statement made to Generalissimo Stalin and Mr. Molotov on August 2 and have been reiterated emphatically at our subsequent conferences. Our governments are not prepared to make any new agreement now which might be held in any way to weaken these rights.

"2. It is clearly the intention of all four governments that paragraphs 1 and 2 should be uniform in so far as possible. Accordingly our governments consider that the words 'after the announcement of currency reform in the western zones should also be deleted from paragraph 2 although we are unaware of any restrictions placed on interzonal trade before currency reform was introduced in the western zones.

"3. Our governments are not in any circumstances prepared to agree to the additional subparagraph inserted by the Soviet Government. As they understand the position, it is that Generalissimo Stalin made an oral statement regarding the insistent desire of the Soviet Government for deferment of the physical establishment of a west German Government. In reply I made an oral statement on behalf of the United States Government with which the representatives of the French and British Governments associated themselves, and this statement went as far as possible to meet the Generalissimo's oral statement. The Generalissimo expressly declared that this statement was not a condition for issuance of the joint statement now under discussion.

western zones'. The other three governments cannot agree to insertion of these words. Their inclusion would mean that certain restrictions on communications between Berlin and the western zones which began long before currency reform took place in western Germany would not be wholly removed. However, as said before, the Governments of France, the United Kingdom and the United States are willing to settle as between the Allied Commanders in Berlin the necessary regulations to prevent illicit black market operations in currency, etc., between the western and eastern zones of Germany or between the western zone of Germany and the western sectors of Berlin, which we understood from Mr. Molotov to be a major concern of the Soviet Government.

"The Soviet draft also inserts at the end of paragraph 1 the words 'in accordance with the present agreements', which are not included in paragraph 2. Our governments are unable to accept these words which imply a new agreement is now being made derogatory to or possibly even invalidating established rights of the French, British and American Governments in regard to Berlin. These rights were clearly set forth in the oral statement made to Generalissimo Stalin and Mr. Molotov on August 2 and have been reiterated emphatically at our subsequent conferences. Our governments are not prepared to make any new agreement now which might be held in any way to weaken these rights.

"2. It is clearly the intention of all four governments that paragraphs 1 and 2 should be uniform in so far as possible. Accordingly our governments consider that the words 'after the announcement of currency reform in the western zones should also be deleted from paragraph 2 although we are unaware of any restrictions placed on interzonal trade before currency reform was introduced in the western zones.

"3. Our governments are not in any circumstances prepared to agree to the additional subparagraph inserted by the Soviet Government. As they understand the position, it is that Generalissimo Stalin made an oral statement regarding the insistent desire of the Soviet Government for deferment of the physical establishment of a west German Government. In reply I made an oral statement on behalf of the United States Government with which the representatives of the French and British Governments associated themselves, and this statement went as far as possible to meet the Generalissimo's oral statement. The Generalissimo expressly declared that this statement was not a condition for issuance of the joint statement now under discus-

sion in Moscow. The statements made on the one hand by the Generalissimo and on the other hand by the British, French and American representatives were made privately but have been recorded. Our governments cannot agree to any statement on this matter being inserted in a published communique representing preliminary agreement by our four governments nor are they prepared to accept any suggestion that negotiations have taken place on this subject. As we stated very clearly in the original conference with Stalin and yourself at the outset of our conversations, our governments are only prepared to undertake negotiations in an atmosphere free of all pressure and cannot accept any position which carries implication of negotiating under duress.

"4. While the principle implied in the first sub-paragraph is acceptable, the paragraph as written in the Soviet draft is unacceptable for reasons given to Mr. Molotov on August 9. Our governments consider that the re-draft proposed by the Soviet Government involves a fundamental question of principle. They can only interpret the wording of this paragraph in the Soviet draft as implying a Soviet intention to incorporate Berlin fully into the Soviet zone. The position of our respective governments on this question and its essential connection with Four-Power discussions on Germany as a whole have been stated on several different occasions during our earlier conversations and need not be repeated now. Consequently, while prepared to accept substitution of the Soviet zone mark for the western mark as the sole currency for Berlin, such acceptance is possible only if some Four-Power regulation of the flow and use of the Soviet currency in Berlin proper is provided which safeguards the rights and interests of our three governments in Berlin and the legitimate interest of the Berlin population, while taking fully into account, as explained in our previous meeting the legitimate interests of the Soviet occupation authorities and their responsibilities for safeguarding the economic situation in the Soviet zone which we fully recognize. In the opinion of our governments the Soviet draft of Paragraph 4 completely fails to take into account these basic considerations, which are concerned not only with fundamental issues of principle but also with essential and practical issues of daily economic life in Berlin. I repeat that while ready to consider and assist in a practical solution of the currency problem in Berlin on a basis of sole use of Soviet currency, our governments can only do so if the Soviet Government is prepared to recognize our basic rights in Berlin. This is really the crux of the matter, but I will mention further details.

"Aside from these fundamental questions of principle, clarification is required of the phrase in sub-paragraph 2 concerning 'discrimination against any part of Berlin'. We think our intentions are the same. In the draft we submitted on August 6 this phrase read 'no action or discrimination against the holders of eastern or western zone currency'. If, as we assume, the Soviet draft covers discrimination not only against any part of Berlin but against all persons, firms, etc., resident in any part of Berlin, this corresponds to our own intention and in that case our governments suggest that the phrase in the August 6 draft would be clearer.

"Then we come to trading agencies. This brings us back to our fundamental point. We cannot recognize Berlin as part of Soviet zone, and it follows from this that we cannot accept conduct of Berlin's external trade through the medium of Soviet zone trade monopolies. Our governments have a substantial interest in city and in seeking agreement on regulation of trade matters, we are asking for no more than assurances concerning proper and effective use of our very extensive contributions to the economy of Berlin. The economic well-being of Berlin depends on maximum freedom of its trade with other parts of Germany. This confirms again, from our viewpoint, the necessity of technical discussions in Berlin and the impossibility of such discussions among us here. In the interest of simplification and to obviate a currency war our governments are willing to accept the Soviet mark as sole circulating medium but I must say again that Four-Power supervision of its use in Berlin is essential to establish satisfactory economic relationship between Berlin and the rest of Germany. It is possible that Molotov misunderstood the wording in our draft: 'For the issue and control of currency in Berlin.' We do not insist on control over the total issuance of Soviet Zone currency. What we are seeking is agreement for quadripartite regulation of the flow and use of Soviet Zone currency within Berlin and in trade. Our governments are convinced it is necessary to provide for non-discrimination as to availability of currency throughout Berlin through equitable budgetary and credit procedures and the orderly conduct of trade between Berlin on one hand and the Western and Eastern Zones and third countries on the other. This can only be done by some quadripartite authority in Berlin.

"While our governments consider the question of occupation costs a pertinent one, they do not believe the Soviet proposal in sub-paragraph four of paragraph four is best adapted for this purpose. The

Soviet draft implies that the British, French and American Governments have no right to claim occupation costs in or from Berlin. Our governments cannot accept this position and they maintain their rights to call on the Berlin magistrat to meet such charges, and are not prepared to place themselves in a position in which they could only obtain what is their fully established right from sources under the control of another power. Our governments have for a long time past been contributing largely to the supply of Berlin with food and coal with no appreciable reimbursement and they see no reason why Berlin, which is part of Germany, should not bear its due share of the occupation costs, particularly since the heavy costs of the Soviet occupation forces in Germany are, according to the Soviet proposal, to be borne by the Soviet zone surrounding Berlin. This question might be dealt with as proposed in our draft of August 6 or postponed for discussion at the time when the Four-Powers meet to discuss the question of Berlin and Germany in all its aspects. I must, however, emphasize that the view of our governments on this question is one of principle affecting their juridical rights in Berlin."

Mr. Molotov's reaction to this statement was summarized by Ambassador Smith as follows:

"Molotov's reply was very cursory in regard to the first two paragraphs. He suggested words 'in conformity with what is set forth below' as substitution for last phrase of paragraph 1,² and remarked that satisfactory alternative wording could probably be found which would more specifically define restrictions which were to be removed, in lieu of the wording to which we objected in paragraphs 1 and 2.³ He then reverted to paragraph 4.² Today, however, he did not as on previous occasions reject our position in Berlin nor did he insist that quadripartite control had lapsed nor maintain any demand for the Soviet wording of this paragraph. His conversation seemed to me to be generally exploratory, in order to determine whether or not we had reached our definite and final bargaining position. . . . We continued to press strongly the point that our entire discussions really hinged on one basic factor—our right to be in Berlin and to continue quadripartite regulation and control of the flow and use of the new currency when introduced. Molotov never directly challenged any of our statements in this connection. He also readily admitted that certain practical questions would have to be settled in Berlin. The point to which he reverted most frequently and on which he seemed

² These paragraphs may be found in Mr. Molotov's Counter-draft, p. 19.

to concentrate today was the specific mention of a date on which the currency change would be made and the restrictions lifted. Discussion of this subject became involved and protracted and finally, to bring matters to a head, we suggested the possibility that a tentative date be accepted toward which planning would begin immediately in Berlin by the four military commanders, pointing out that until the machinery for the control and use of the Soviet mark was established any date was meaningless. This subject also Molotov did not directly challenge or reject, although he criticized it as vague. It was our opinion that at the last he wilfully misunderstood it.

"Molotov then discussed occupation costs briefly, taking the attitude that he could not see any reason in our objection to the Soviet formula or to exempting Berlin from cost of occupation since all Four Powers were treated alike. An interesting feature of this phase of the discussion was that again he failed to challenge our juridical right, stating that Soviet proposals in this matter did not affect juridical rights of either side to be in Berlin, and that the problem was purely a practical one. We took note of this. . . . Our final statement was that the solution of the question of occupation costs was dependent on solution of the basic question which remained to be dealt with in the first part of that paragraph. This brought us back to the question of currency, and after lengthy discussion Molotov suggested as an alternate solution that the Soviet Government might be willing to agree to the issue of the same quantity of Soviet zone marks for the Western sectors of Berlin as have been issued or introduced in Berlin by Western Powers, arguing that this would dispose of the technical question. We rejected this on the ground that it did not cover our basic requirement which was quadripartite control of currency in Berlin, and did not provide enough currency for our present and future operations.

"After this Molotov again came back to the question of a fixed date for the introduction of Soviet currency in Berlin and the lifting of traffic restrictions, and proposed that we draw up a list of questions relating to the flow of currency to be discussed by the representatives of the Soviet Union and Western Powers in Berlin. We replied that we would be perfectly willing to accept a tentative date and in fact proposed such discussion, but that the Commanders in Berlin must be provided with terms of reference which covered the basic points on which we insisted, and the technical points which we felt must be settled with regard to new currency. There was still outstanding the major question of Four Power control in Berlin and until this was

Soviet draft implies that the British, French and American Governments have no right to claim occupation costs in or from Berlin. Our governments cannot accept this position and they maintain their rights to call on the Berlin magistrat to meet such charges, and are not prepared to place themselves in a position in which they could only obtain what is their fully established right from sources under the control of another power. Our governments have for a long time past been contributing largely to the supply of Berlin with food and coal with no appreciable reimbursement and they see no reason why Berlin, which is part of Germany, should not bear its due share of the occupation costs, particularly since the heavy costs of the Soviet occupation forces in Germany are, according to the Soviet proposal, to be borne by the Soviet zone surrounding Berlin. This question might be dealt with as proposed in our draft of August 6 or postponed for discussion at the time when the Four-Powers meet to discuss the question of Berlin and Germany in all its aspects. I must, however, emphasize that the view of our governments on this question is one of principle affecting their juridical rights in Berlin."

Mr. Molotov's reaction to this statement was summarized by Ambassador Smith as follows:

"Molotov's reply was very cursory in regard to the first two paragraphs. He suggested words 'in conformity with what is set forth below' as substitution for last phrase of paragraph 1,² and remarked that satisfactory alternative wording could probably be found which would more specifically define restrictions which were to be removed, in lieu of the wording to which we objected in paragraphs 1 and 2.² He then reverted to paragraph 4.² Today, however, he did not as on previous occasions reject our position in Berlin nor did he insist that quadripartite control had lapsed nor maintain any demand for the Soviet wording of this paragraph. His conversation seemed to me to be generally exploratory, in order to determine whether or not we had reached our definite and final bargaining position. . . . We continued to press strongly the point that our entire discussions really hinged on one basic factor—our right to be in Berlin and to continue quadripartite regulation and control of the flow and use of the new currency when introduced. Molotov never directly challenged any of our statements in this connection. He also readily admitted that certain practical questions would have to be settled in Berlin. The point to which he reverted most frequently and on which he seemed

² These paragraphs may be found in Mr. Molotov's Counter-draft, p. 19.

was presented to Molotov at the fourth and last drafting meeting, that of August 17:

"One. On August 25 all restrictions which have been imposed since March 1 on transport of persons and goods in either direction between the three western zones of Germany and Berlin shall be removed and freedom of communications shall be maintained.

"Two. On August 25 all restrictions which have been imposed since March 1 on traffic of goods to and from Soviet zones of Germany shall be removed and freedom of communications shall be maintained.

"Three. The four military governors are charged with the duty of making all arrangements necessary to ensure that the provisions of paragraphs one and two above are brought into effect on August 25.

"Four. In addition to meetings of military governors meetings among representatives of four governments in form of CFM or other conferences of representatives of four powers shall be held in the near future to discuss (A) any questions which may be outstanding as regards Berlin and (B) any other outstanding problems affecting Germany as a whole.

"Five. As from August 25 the German mark of the Soviet zone shall be accepted as the sole currency for Berlin and the western mark 'B' shall be simultaneously withdrawn from circulation in Berlin provided however that before that date the four military governors shall have worked out arrangements for continued issue and use in Berlin under quadripartite authority, of German mark of Soviet zone.

"These arrangements shall ensure no discrimination or action against holders of German marks of either the Soviet zones or western zones; equal treatment as to currency and provision of full and accessible banking and credit facilities throughout all sectors of Berlin; unhampered trade and economic connections with third countries and with all zones of Germany subject only to such provisions as may be agreed from time to time among four military governors; and provision of sufficient currency for budgetary purposes and occupation costs. These arrangements shall be implemented by the four military governors."

This latest redraft was received by Mr. Molotov in much the same way as the first draft. The Western representatives discussed it with him for nearly four hours. His reaction to it appeared to be mainly exploratory, to try to sound out the Western representatives.

After a lengthy discussion of specific points in it, much along the lines of the earlier discussions, Smith and his colleagues were unable

to convince Molotov that their draft met his requirements. Breaking off the discussion of particular points, Molotov suddenly suggested that he could provide a simple formula to deal with paragraphs 1, 2, and 5, and that the other paragraphs could be left for later discussion as being relatively unimportant. He then wrote down and read out the following proposed directive to the Military Governors in Berlin:

"The Governments of France, Great Britain, US and USSR have agreed that the following steps should be taken simultaneously:

"(A). Restrictions recently imposed on both sides on communications between Berlin and the western zones shall be lifted;

"(B). The German mark of the Soviet zone shall be introduced as the sole currency for Berlin, and the western mark 'B' shall be withdrawn from circulation in Berlin.

"In connection with the above you are instructed to examine, together with your colleagues, within the shortest time possible and if possible before August 25, the detailed arrangements necessary for the implementation of this agreement and to inform your government of the exact date on which provisions under 'A' and 'B' above can be brought into effect."

As the discussion had already gone on for more than two hours and Molotov showed no disposition to give serious consideration to accepting the draft proposed by Smith and his colleagues, they stated that they would be willing to submit his new proposal to their governments but that it would serve no useful purpose to do so unless the directive he suggested were completed by adding an additional paragraph covering all the points in the second part of their draft paragraph 5 which their governments consider the absolute minimum that could be accepted in the way of a directive to the four Military Governors. Molotov argued against this, taking the line, contrary to his previous position, that the Military Governors in Berlin might very well be able to work out practical solutions of the technical problems without specific instructions. Smith pointed out that this would simply transfer the unsolved problems from Moscow to Berlin, with even less hope of a solution in the absence of agreement in Moscow on the two or three basic issues which still remain unsettled. He then agreed to go through the Western draft together with the Soviet draft to see whether it would be possible to bring them into conformity and set down principles under which the four Military Governors could work.

Further discussion of details again and again brought the Western representatives face to face with a point of principle on which they had to repeat their position, reminding Mr. Molotov that while their governments were willing to accept Soviet currency as the sole currency in Berlin, they would not be willing to accept terms for the use of that currency which would endanger the financial and economic life of the city. Smith repeated that it was quite useless to send any directive to the Military Governors unless there was agreement in Moscow on the basic issues. It would be equally useless to propose a vague and undefined directive to the three governments which would still be obliged to obtain answers to the basic questions they had already raised. He repeated that there was no point in simply transferring to Berlin problems which it had not been possible to solve in Moscow through direct contact with Mr. Molotov.

The meeting was finally adjourned with Smith and his colleagues recording their disappointment at the lack of progress. Smith suggested that they study and report the results of the meeting to their governments in case they should have any final instructions or additional guidance. He said he would then ask for a final conference.

The Second Meeting With Stalin on August 23

After considering the fruitless series of drafting meetings with Molotov, the Three Governments then decided to request another meeting with Stalin. This was held on August 23.

In preparation for it the Three Governments had agreed upon a new draft to put before Stalin, embodying the points discussed in the first meeting with him, and taking into account the points raised meanwhile by Molotov insofar as these could be harmonized with the rights and duties of the Western occupation forces in Berlin. This draft took the form of a directive to the Military Governors in Berlin to work out the concrete means for implementing the principles with respect to currency and transport restrictions, together with a communiqué to be issued by the Moscow conferees on behalf of the Four Governments, finalizing the arrangements worked out by the Military Governors.

Stalin began the meeting by producing a Soviet draft for this purpose which he said he had prepared after studying the reports of the drafting meetings with Molotov. Smith then produced the draft just mentioned, suggesting that Stalin read it while the Western representatives were reading the Soviet draft. Following a general discussion of the two drafts, Stalin withdrew from the meeting and Molotov and the Western representatives continued in drafting session to try to harmonize the two drafts.

During the discussion with Stalin, he and the Western representatives noted that the two drafts were in many respects close to each other. Stalin thought, however, that the directive to the Commanders should contain more concrete wording with regard to safeguarding the Soviet zone currency from depreciation. Smith pointed out that this point was covered in the Western draft. Stalin replied that it should be made more explicit. He also discussed the provision for the exchange of currency, and for the issue of currency thereafter by the German bank of issue of the Soviet zone and for the establishment for these purposes of a financial commission composed of the four Commanders to control their practical implementation. He considered these points essential. He then added that it would also be desirable to have some indication in the draft of a postponement of the establishment of a Western German Government on the basis of the London decisions. On this point the Western representatives rested on the position which had already been made clear.

Smith then again reiterated the necessity for managing currency matters in Berlin on a basis which would provide absolute equality of control and would respect the juridical position of the Western Governments in Berlin. Stalin replied that, if German unity were restored by confirming the decisions of previous Four Power conferences, Berlin would remain the capital of Germany and then there would be no objection to the forces and authority of the three Western powers remaining in Berlin and sharing the control of the German Government in Berlin with the Soviet Union. If this did not happen, then Berlin would lose its standing as the capital of Germany. Smith expressed the hope that such a situation would not arise and took occasion again to explain fully our view of the juridical position of the Western powers in Berlin. It was decided that drafting details should be worked out with Molotov with a view to finding a final wording for a directive to the Military Governors in Berlin, requesting them to report back their recommendations within about a week after the directive was issued to them.

Before Stalin withdrew, Ambassador Smith specifically took occasion to bring out clearly certain questions on which he wanted to get an unequivocal clarification of the Soviet position. With respect to transport restrictions, it is worth quoting the following excerpt from the transcript of the meeting of August 23 in Moscow:

"The U.S. Ambassador then asked if he could first query one or two points, for example, the Soviet wording with regard to the transport restrictions. Molotov remarked, after a certain amount of discussion, that the Soviet Government meant the restrictions imposed since the 18th of June. *We indicated that this was unsatisfactory. Stalin then suggested that it might be better to say 'the restrictions lately imposed', and confirmed that if there were any imposed before that date they would also be lifted.*"²

It was with this understanding, personally confirmed by Premier Stalin, that a Directive was ultimately sent to the Military Governors in Berlin to work out the technical arrangements necessary to give effect to the above agreement.

The principle of quadripartite supervision over the currency within the city of Berlin was an important issue in the discussion at Moscow. On this point Premier Stalin, during the discussion, gave the following confirmation of the interpretation to be placed on the language of the Directive dealing with the powers of the Financial Committee:

Stalin stated that "the German Bank of Emission controlled the flow of currency throughout the whole of the Soviet zone, and it was impossible to exclude Berlin from the Soviet zone. *However, if the question was asked whether it did so without being controlled itself, the answer was 'no'. Such control would be provided by the Financial Commission and by the four commanders in Berlin who would work out the arrangements connected with the exchange of the currency and with the control of the provision of currency, and would supervise what the bank was doing.*"

"Stalin said that the Soviet draft had kept the word 'control' with reference to the Four-Power Finance Committee and the Soviet Government did not object to it. But from the point of view of financial science and political economy, it was impossible to exclude the German Bank of Emission from Berlin. To avoid abuse in its operations, the word 'control' had been included. The U. S. Ambassador then suggested that the mention of regulation by the German Bank of Emis-

¹ Italics not in original document.

² Italics not in original document.

sion should be made after the Financial Commission. *Stalin replied that the subjects had been mentioned in the logical order and that the authority conducting the operations had been mentioned first and afterwards the body controlling this authority had been mentioned.*"⁴

It was on this clear understanding of these points that Smith and his colleagues continued the discussion and drafting.

Stalin expressed persistent interest in having something said about the London decisions. He suggested insertion of the following or some similar wording:

"The question of the London decision was also discussed including the formation of a Western German Government. The discussion took place in an atmosphere of mutual understanding."

Smith said he would inform his government of Stalin's desire but did not anticipate that his government could accede to any such wording unless it were also made explicit that no agreement was reached on this subject since it was not considered a condition attaching to the lifting of transport restrictions.

The ensuing drafting meeting with Molotov elaborated a joint draft which was then submitted to the governments for consideration.

The United States Government, in expressing its views to Ambassador Smith, took occasion among other things to corroborate Smith's own view that a provision such as Stalin desired with respect to Western Germany would be open to misinterpretation and, therefore, could not be accepted. Any such provision should make clear that we do not refuse to discuss this point at some subsequent time but are not prepared to make any commitments whatsoever for postponement of the London decisions in connection with the present negotiations. Smith was instructed to make this clear to the Soviet authorities and to agree at most to a statement that:

"During the conversations the Soviet Government expressed its wish that the implementation of the decisions of the London conference should not result in the establishment of a government for Western Germany before the representatives of the four powers had been able to meet to discuss the whole German problem. The representatives of the United States, the United Kingdom and France affirmed the desire of their governments for a four-power agreement whereby a government for the whole of Germany would be established.

⁴ Italics not in original document.

They explained that the London decisions did not preclude such an agreement and, while they were not able to agree to any postponement of the implementation of the London decisions, they would make a sincere endeavor to ascertain whether there is a real prospect of agreement among the four powers. Further discussion of this point was accordingly deferred."

In framing its further instructions to Ambassador Smith, this Government proceeded from the following basic requirements, upon which it had insisted from the beginning:

1. Insistence on our co-equal rights to be in Berlin;
2. No abandonment of our position with respect to Western Germany;
3. Unequivocal lifting of the blockade on communications, transport, and commerce for goods and persons; and
4. Adequate quadripartite control of the issue and continued use in Berlin of the Soviet mark.

After the three Governments had consulted each other and instructed their respective representatives in Moscow, the latter met with Molotov and Vishinsky on August 27 and worked out the following drafts for the communiqué and directive under discussion:

"Communiqué"

"The Governments of France, the United Kingdom, the United States and the USSR have agreed that the following measures under (A) and (B) shall be put into effect simultaneously, and have approved detailed arrangements for their implementation jointly worked out by the four military governors.

"(A) The restrictions which have recently been imposed on communications, transport and commerce between Berlin and the Western zones and between the various zones of Germany shall be lifted, and freedom of communications, transport and commerce shall be maintained.

"(B) The German mark of the Soviet zone shall be accepted, on the basis agreed between the four military governors, as the sole currency for Berlin and the Western mark 'B' shall be simultaneously withdrawn from circulation in Berlin.

"The four governments have also agreed that in addition to the meetings of the four military governors, meetings among representatives of the four governments in the form of the Council of Foreign

Ministers or other conferences of representatives of the four powers shall be held in the near future to discuss:

"(1) Any outstanding questions regarding Berlin, and (2) any other outstanding problems affecting Germany as a whole."

"Directive"

"The Governments of France, the United Kingdom, the United States, and the USSR have decided that, subject to agreement being reached among the four military governors in Berlin for their practical implementation, the following steps shall be taken simultaneously:

"(A) Restrictions on communications, transport and commerce between Berlin and the Western zones and to and from the Soviet zone of Germany which have recently been imposed shall be lifted;

"(B) The German mark of the Soviet zone shall be introduced as the sole currency for Berlin, and the Western mark 'B' shall be withdrawn from circulation in Berlin.

"In connection with the above you are instructed to consult together with your colleagues so as to make, in the shortest time possible, the detailed arrangements necessary for the implementation of these decisions, and to inform your government not later than September 7 of the results of your discussions, including the exact date on which the measures under (A) and (B) above can be brought into effect. The four military governors will work out arrangements involved in the introduction of the German mark of the Soviet zone in Berlin.

"The arrangements relating to the currency changeover and to the continued provision and use in Berlin of the German mark of the Soviet zone shall ensure:

"(A) No discrimination or action against holders of Western marks 'B' in connection with the exchange of those Western marks issued in Berlin. These shall be accepted for exchange for German marks of the Soviet zone at the rate of one for one;

"(B) Equal treatment as to currency and provision of fully accessible banking and credit facilities throughout all sectors of Berlin. The four military governors are charged with providing adequate safeguards to prevent the use in Berlin of the German mark of the Soviet zone from leading to disorganizing currency circulation or disrupting the stability of currency in the Soviet zone;

"(C) A satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. Modification of this agreed basis to be made only by agreement among the four military governors;

"(D) The provision of sufficient currency for budgetary purposes and for occupation costs, reduced to the greatest extent possible, and also the balancing of the Berlin budget.

"The regulation of currency circulation in Berlin is to be undertaken by the German Bank of Emission of the Soviet zone through the medium of the credit establishments operating at present in Berlin.

"A financial commission of representatives of the four military governors shall be set up to control the practical implementation of the financial arrangements indicated above, involved in the introduction and continued circulation of a single currency in Berlin."

During this discussion, as during previous ones Molotov endeavored again, without success, to insert some provision into the communiqué that would tie the hands of the Western Governments with respect to the London decisions. The most noteworthy feature of this particular conversation was that he reversed completely his former position that details about the currency should be settled and agreed in Moscow before any reference to the Military Governors in Berlin. After a final review by the several Governments it was arranged with Molotov on August 30 that the directive to the military governors be dispatched to them by midnight calling for a report from them by September 7.

Although the directive was finally agreed and sent, it was not possible to reach final agreement on the ultimate draft communiqué, because Molotov still insisted on a final paragraph concerning the London decisions.

Smith told him that, regardless of the finally agreed text, when the communiqué was made public we would be obliged to publish a statement that the agreement represented by it was entered into without prejudice to the co-equal rights, duties, and obligations of the Western occupying powers in Berlin. Molotov's reply to this was that the position of the Soviet Government was well known and that it would undoubtedly make a similar public reservation.

The attitude of the Soviet representatives at this August 27 conference was less pleasant than hitherto. The Western representatives referred to the disturbed situation in Berlin and pointed out the desir-

ability of maintaining a peaceful atmosphere during the deliberations of the Military Governors. Molotov declined to pursue the matter further, stating that the Soviet Military Governor already had his instructions. It was impossible to issue any interim communiqué to inform the public that technical questions were being referred to Berlin because Molotov refused to agree to any text for it except in his own terms. He tried to extend the period for discussion in Berlin to September 10, being reluctant to agree to limit the discussions to one week ending September 7.

The directive finally dispatched to the Military Governors was one on which it might be possible to work out a solution of the technical details if the Soviet authorities did in fact wish to settle the Berlin crisis. Whether this was so remained to be seen during the course of the discussions in Berlin.

The Technical Discussions in Berlin

On August 31 the four commanders and their staffs met for the first time to work out, under instructions from their governments, the implementation of the directive. They continued these meetings daily throughout the week allotted for the Berlin discussions.

It soon became apparent that Marshal Sokolovsky was not ready to honor the understandings reached in Moscow. During the course of the meetings it was evident that he was seeking to increase, rather than to decrease, the restrictions on transport, and also to eliminate any measure of quadripartite control over the German bank of issue for the Soviet Zone with respect to Berlin, and to assert for the Soviet Military Authority sole jurisdiction over the trade between Berlin and the Western zones of Germany as well as third countries.

With respect to the transport restrictions, Sokolovsky began by declaring that he would agree to removal of only those restrictions imposed after June 18, the date of the currency reform. This position was taken in spite of Stalin's categorical statement on August 23 that under the final wording of the directive any restrictions imposed before that date would also be removed. Sokolovsky even endeavored to discuss the imposition of new restrictions on the existing air traffic. When the Western commanders sought to discuss freedom of passage

for military trains, the condition of the railroad tracks, and the need of more paths, Sokolovsky began by declining to discuss rail traffic unless the Western commanders would agree to discuss the imposition of new restrictions on the existing air traffic. General Clay and his colleagues refused to do this, pointing out that the directive referred only to the removal of existing restrictions, not to the imposition of new ones. In justifying his adherence to the date of June 18, Sokolovsky argued that since traffic restrictions were being removed in exchange for the currency provisions of the directive, the latter must refer only to traffic restrictions imposed after the western currency reform of June 18; he went on to say that traffic restrictions imposed before that date were connected with the London conference. He later receded from his initial position on this point, but continued to try to put new limitations on the existing air traffic.

With respect to the provisions of the directive concerning the currency itself, Sokolovsky took the position (despite the clear understanding confirmed by Stalin in Moscow), that the proposed Four Power financial commission should have no authority whatever to control the operations of the German Bank of Issue with respect to Berlin. Yet without such authority over the institution issuing, and promulgating regulations concerning, the currency of Berlin it is obvious that the financial commission would have been quite incapable of discharging the function assigned to it in the directive, i. e. controlling the practical implementation of the financial arrangements involved in the introduction and continued circulation of a single currency in Berlin. Sokolovsky's repudiation of the understanding reached on this point with Stalin in Moscow was sufficient in itself to frustrate any agreement upon genuine quadripartite administration of the currency of Berlin, quite aside from other differences which arose concerning the detailed financial arrangements for Berlin.

With respect to trade arrangements between Berlin and the Western zones of Germany and third countries, Sokolovsky asserted for the Soviet authorities the exclusive right to control such trade. This claim obviously contradicted the clear meaning of the agreed directive to the four military governors, and in no way constituted a reasonable approach to the problem of working out a mutually "satisfactory basis" for the trade of Berlin.

Marshal Sokolovsky in Berlin thus took a position contrary to the explicit assurances given by Stalin in Moscow, with respect to transport restrictions, currency and trade. Moreover, he manifested in-

creasingly an attitude of indifference about the progress or failure of the negotiations.

The week of technical discussion in Berlin thus proved even more futile and frustrating than the month of negotiations in Moscow.

The military governors were unable to submit an agreed report; Marshal Sokolovsky remarked that there was nothing to report.

A New Aide-Mémoire

The Three Governments therefore instructed their representatives in Moscow to deliver the following *aide-mémoire* to Stalin and Molotov:

"1. The Governments of France, the United Kingdom and the United States having received and studied reports from their Military Governors of the discussions in Berlin find it necessary to draw the attention of the Soviet Government to the fact that the position adopted by the Soviet Military Governor during the meetings in Berlin on a number of points deviate from the principles agreed at Moscow between the four Governments and contained in the agreed directive to the four Military Governors. As the Soviet Government is aware, the terms of this directive were finally agreed after long and careful consideration, and after clarifications as to interpretation had been received from the Soviet Government.

"2. The specific issues on which in the opinion of the Governments of France, the United Kingdom and the United States, the Soviet Military Governor has departed from the understandings reached at Moscow relate to: (1) restrictions on communications, transport and commerce between Berlin and the western zones; (2) the authority and functions of the financial commission, and in particular its relation to the German bank of emission; and (3) the control of the trade of Berlin.

"3. As to the first, the Soviet Military Governor has presented a proposal which falls outside the agreed principle that the restrictions which have recently been imposed on communications, transport and commerce be lifted. He has proposed that restrictions upon air traffic, not heretofore existing, should now be imposed, and in particular that air traffic to Berlin should be strictly limited to that necessary to meet the needs of the military forces of occupation.

"4. As the Soviet Government is aware, the directive makes no mention of air transport and this question was not discussed at Moscow. The directive reads: 'Restrictions on communications, transport and commerce between Berlin and the western zones and to and from the Soviet zone of Germany which have recently been imposed shall be lifted.' There have been and are no such restrictions on air traffic. The purpose of the directive is to lift restrictions and not to impose new ones. The proposal of the Soviet Commander-in-Chief, therefore, falls outside the scope of the present discussions and is unacceptable.

"5. Secondly, on the question of the authority and functions of the financial commission there should be not the slightest grounds for any misunderstanding. At the meeting on August 23 attended by Premier Stalin and Mr. Molotov and the representatives of the Governments of France, the United Kingdom and the United States, the intention of the directive in regard to the powers of the financial commission including its power to control the operations in Berlin of the German bank of emission was clearly and specifically confirmed by Premier Stalin. The Soviet Military Governor has refused to accept both the meaning of the directive and the clear understanding of the Four Powers reached at Moscow.

"6. Thirdly, there is the question of the control of the trade of Berlin. The position of the Soviet Military Governor during the discussions in Berlin in regard to matters relating to the control of trade between Berlin and the western zones of Germany amounts to a claim for exclusive Soviet authority over such matters. Such a claim is a contradiction of the spirit and meaning of the directive to the four Military Governors to which the four Governments gave their approval and is therefore unacceptable.

"7. In bringing these major points of difference to the notice of the Soviet Government, the Governments of United States, the United Kingdom and France do not wish to imply that these are the only points of difference which have arisen during the conversations in Berlin.

"8. The Governments of France, the United Kingdom and the United States have understood clearly the principles agreed to in Moscow and the assurances given by Premier Stalin. Their Military Governors in Berlin have acted in accordance with these principles and assurances. The position taken by the Soviet Military Governor, on the contrary, has constituted a departure from what was agreed in Moscow and strikes at the very foundation upon which these discussions were undertaken. The divergencies which have accordingly

arisen on these questions are so serious that the Governments of France, the United Kingdom and the United States feel compelled to inquire whether the Soviet Government is prepared to affirm the understandings outlined herein and to issue the necessary instructions to the Soviet Military Governor, confirming the agreed intention of the directive in regard to

"(1) the lifting of all restrictions on communications, transport and commerce imposed after March 30, 1948, without imposition of any new air or other restrictions; and

"(2) the control by the financial commission of the financial arrangements contemplated in the agreed directive, including control of the operations of the Bank of emission with respect to Berlin as specifically confirmed by Premier Stalin; and

"(3) a satisfactory basis for trade between Berlin and third countries and the western zones of Germany in accordance with an agreement to be reached between the four Military Governors which does not involve the unilateral control of such trade by the Soviet Trade Administration and which recognizes the rights of the occupying powers to import in fulfillment of their responsibilities, and to control the proceeds from, food and fuel for the use of the Berlin population and industry.

"9. They believe that only if the steps proposed in the aide memoire are taken would it be possible for the Military Governors to continue their discussions."

Stalin being out of town and unavailable, this *aide-memoire* was delivered to Mr. Molotov by the three Western envoys on September 14.

Molotov expressed the view that progress could be facilitated if, instead of an immediate exchange of communications at the government level, the Military Governors were first to prepare an agreed report of their discussions; and he proposed that they be given two days to do this. The Western envoys pointed out that the Military Governor had already found it impossible to agree on such a joint report. Molotov then reluctantly agreed to submit the *aide-memoire* to his Government for study and reply.

On September 18, Mr. Molotov invited the Western envoys to the Kremlin and handed them the Soviet Government's reply, which was likewise in the form of an *aide-memoire*. The text was as follows:

"1. The Government of the USSR has acquainted itself with the aide memoire dated September 14 last of the Governments of France, the United Kingdom and the US, which gives a unilateral account

of the course of discussions between the four Military Governors in Berlin and which presents incorrectly the position adopted by the Soviet Military Government during those discussions.

"The Soviet Government believes that consideration of the difference referred to in the said aide memoire, which arose during the Berlin discussions in regard to the interpretation of the directive to the Military Governors would have been facilitated and expedited had the four Military Governors submitted to their governments a joint report with an account of the course of discussions. In that event the discussions in Moscow would not have been based on any unilateral communications but on an accurate statement of the positions adopted by all four Military Governors both on points already agreed between them and on points left outstanding. Since, however, the representatives of the three Governments have refused to follow that method of discussion, the Soviet Government finds it necessary to reply to the questions raised in the aide memoire.

"The aide memoire of September 14 refers to the following 3 questions: (1) Restrictions on communications, transport and commerce between Berlin and the Western zones; (2) the authority and functions of the financial commission, and in particular its relation to the German Bank of Emission; (3) the control of the trade of Berlin. At the same time it is asserted that the Soviet Military Governor allegedly deviated from the understanding reached on these questions in Moscow.

"The Soviet Government believes this assertion to be without foundation because during the Berlin discussions the Soviet Military Governor strictly followed the agreed directive and the clarifications which had been given by Soviet Government when it was being drawn up in Moscow. Study by the Soviet Government of all materials relating to the Berlin discussions has shown that the reason for the differences which arose during the Berlin discussions lies in the desire of the US, the UK and the French Military Governors to interpret the directive agreed upon in Moscow in a unilateral manner and to give it an interpretation which had not been implied when it was being drawn up and which constitutes a violation of the directive, and with this the Soviet Government is unable to agree.

"2. The directive to the four Military Governors states the following in regard to the first question referred to in the aide memoire of September 14: 'restrictions on communications, transport and commerce between Berlin and the Western zones and on the traffic of goods to and from the Soviet zone of Germany which have recently been imposed shall be lifted.'

"The concrete proposals submitted by the Soviet Military Governor on this point are in full conformity with the directive and have for their purpose the lifting of all restrictions on communications, transport and commerce, which have been imposed after March 30, 1948, as was stipulated when the directive was drawn up. During consideration of this question the Soviet Military Governor pointed to the necessity of the other three Military Governors complying strictly with the regulations imposed by the Control Council's decision of November 30, 1945 on air traffic for the needs of the occupation forces and this had never been disputed by any of the Military Governors since the adoption of these regulations three years ago. There is no foundation whatsoever for regarding this justified demand of the Soviet Military Governor as an imposition of new restrictions on air traffic, because these regulations had been imposed as far back as 1945 and not after March 30, 1948. Nevertheless, the USA has attempted to deny the necessity of observing the regulations which had been imposed by the Control Council on air traffic of the occupation forces and which remain in force to this very day.

"In view of the above, the Soviet Government believes that the position of the Soviet Military Governor on this question is absolutely correct, while the position of the USA Military Governor, far from being based on the agreed directive, is in contradiction with it. An interpretation to the contrary might lead to an arbitrary denial of any decision previously agreed upon by the Control Council, and to this the Soviet Government cannot give its assent."

"3. The directive to the Military Governors also contains a clear statement regarding the authority and functions of the Financial Commission and regarding the German Bank of Emission: [There followed the text of this portion of the directive, as given above on p. 40.]

*The facts with respect to the Control Council's Nov. 30, 1945, decision are as follows:

During the discussions prior to the establishment of air corridors in 1945 the Soviet Military Authorities in Berlin had in fact suggested that the traffic in the corridors should be limited to the needs of the military forces. The Allied Control Authority (Allied Control Council) did not accept this Soviet proposal and the traffic in the corridors has since then been subject only to agreed safety regulations. No restrictions whatever were in existence on the use by aircraft of the occupying powers of air communications in the corridors between Berlin and the Western zones of Germany on or before Mar. 30, 1948.

This fact was specifically pointed out to Mr. Molotov by the British envoy, Mr. Roberts, immediately upon the receipt and reading of the *aide-memoire* handed to the Western representatives by Mr. Molotov on Sept. 18, 1948.

"This directive was drawn up in full conformity with the preliminary clarifications on this matter made by Premier J. V. Stalin on August 23, and referred to in the above-mentioned aide memoire.

"It will be seen from the above text that the authority and functions of the financial commission and of the German Bank of Emission are precisely laid down in the directive, and it was by this that the Soviet Military Governor was guided. According to that directive and to the understanding reached in Moscow by the four powers, the financial commission should not exercise control over all operations of the Bank of Emission in regard to Berlin, but only over those operations of the Bank of Emission in Berlin which are specifically provided for in paragraphs (A), (B), (C), and (D) of the directive. The proposal to establish control of the financial commission over the whole activity of the German Bank of Emission in Berlin was not accepted during the discussion of this question in Moscow because this would have lead to such interference on the part of the financial commission in matters of the regulation of currency circulation as is incompatible with the Soviet Administration's responsibility for the regulation of currency circulation in the Soviet zone of occupation.

"Accordingly, the Soviet Government cannot agree to the incorrect interpretation of the agreed directive given in the aide memoire of the Government of France, the UK and the USA, and believes it necessary that the directive should be strictly followed.

"4. As to trade, the previously agreed directive is confined to an instruction to the Military Governors to work out a satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. It will be recalled that on August 23 during the discussions in Moscow, the Soviet Government submitted a definite proposal on this subject, but the question was not considered in detail and was referred to the Military Governors for discussion.

"The proposals on this subject made by the Soviet Military Governor give no reason to assert that they are a contradiction of the spirit and meaning of the agreed directive. On the contrary, the intention of those proposals is to have the directive fulfilled in accordance with the agreements reached in Moscow.

"However, for the purpose of expediting the drawing up of practical arrangements in Berlin the Soviet Government proposes that the Military Governors be given more detailed instructions on this matter than those contained in the agreed directive. The Soviet Government agrees to have trade between Berlin and third countries and the Western zones of Germany placed under the control of the quadripartite financial commission, which control should provide at the same time

for the maintenance of the existing procedure regarding the traffic of goods in and out of Berlin under license of the Soviet Military Administration. The Soviet Government believes that such an instruction would be of help in the drawing up of a concrete agreement on matters of trade with Berlin.

"5. The Soviet Government believes that discussions between the Military Governors in Berlin can yield positive results only in the event that all the Military Governors follow strictly the directives and instructions agreed between the Governments of France, the UK, the US and the USSR."

The Western envoys, after reading this document, stated that they would submit it to their governments for consideration but warned that it would scarcely be acceptable.

After studying the reply just quoted, the three governments delivered to the Soviet Embassies in Washington, London and Paris on September 22, 1948, identical third person notes in the following text:

"(1) The Government of the United States, together with the Governments of France and the United Kingdom, has now reviewed the discussions which have taken place on the Berlin situation and which have culminated in the Soviet reply of September 18 to the aide-memoire of the three Governments of September 14, 1948.

"(2) The three Governments find that the Soviet unwillingness to accept previous agreements, to which reference is made in their aide-memoire of September 14, is still preventing a settlement. The reply of the Soviet Government in its aide-memoire of September 18 is unsatisfactory.

"(3) The final position of the three Governments on the specific points at issue is as follows:

"(A) They cannot accept the imposition of any restrictions on air traffic between Berlin and the Western zones.

"(B) They insist that the Finance Commission must control the activities of the German Bank of Emission of the Soviet Zone in so far as they relate to the financial arrangements for the introduction and continued use of the Soviet zone mark as the sole currency in the city of Berlin.

"(C) They insist that trade between Berlin and the Western zones and other countries must be under quadripartite control, including the issuance of licenses.

"(4) After more than six weeks of discussion, the Governments of the United States, France and the United Kingdom feel that the Soviet

Government is now fully acquainted with the position of the three Governments, and that further discussions on the present basis would be useless.

"(5) It is clear that the difficulties that have arisen in the attempts to arrive at practical arrangements which would restore normal conditions in Berlin derive not from technical matters but from a fundamental difference of views between the Governments of the United States, France and the United Kingdom, and the Soviet Government as to the rights and obligations of the occupying powers in Berlin, their right to have access by air, rail, water and road to Berlin and to participate in the administration of the affairs of the city of Berlin. The blockade imposed by the Soviet authorities together with other of their acts in Berlin are in violation of the rights of the three Western occupying powers.

"(6) Accordingly the Government of the United States, in agreement with the Governments of France and the United Kingdom, asks the Soviet Government whether, in order to create conditions which would permit a continuance of discussions, it is now prepared to remove the blockade measures, thus restoring the right of the three Western occupying powers to free communications by rail, water, and road, and to specify the date on which this will be done.

"(7) The Foreign Ministers of the three Governments will be meeting shortly in Paris, and they will be glad to have the reply of the Soviet Government as soon as possible."

Soviet Note of September 25

On September 25 the Soviet Ambassador in Washington delivered to the Acting Secretary of State the following reply of the Soviet Government to the third person note of September 22, 1948:

"1. The Government of the Union of Soviet Socialist Republics has acquainted itself with the note of the Government of the USA of September 22, 1948 concerning the negotiations of the four powers which have taken place in Moscow and Berlin on the question of the introduction of the German mark of the Soviet zone as the sole currency in Berlin and concerning the removal of the restrictions on communications, transport and trade between Berlin and the western zones of Germany.

"In connection with this the Soviet Government considers it necessary to declare that the position taken by the Government of the USA not only does not facilitate but on the contrary complicates the reaching of agreement concerning the settlement of the situation which has arisen in Berlin as a result of carrying out of a separate currency reform and the introduction of a separate currency in the western zones of Germany and in the western sectors of Berlin, which constituted an extreme and most far reaching measure in execution of the policy of partitioning Germany being carried out by the Governments of the USA, Great Britain and France.

"2. In its note the Government of the USA refers to three disputed questions which were mentioned by the Governments of the USA, Great Britain and France in the aide memoire of September 14 and by the Government of the USSR in the aide memoire of September 18, 1948.

"The Government of the United States of America states that the continuation of the negotiations on the above-mentioned questions on the present basis would be useless and considers that in order to create the conditions which would permit a continuation of the negotiations, there would have to be a removal of the temporary transport restrictions between Berlin and the western zones which were introduced by the Soviet Command for the purpose of protecting the interests of the German population as well as the economy of the Soviet zone of occupation and of Berlin itself.

"Such a statement of the Government of the USA is in direct conflict with the agreement reached on August 30 in Moscow between the four governments (the directive to the Military Governors), in which it was stated:

"The Governments of France, the United Kingdom, the United States, and the USSR have decided that, subject to agreement being reached among the four military governors in Berlin for their practical implementation, the following steps shall be taken simultaneously:

"(a) Restrictions on communications, transport and commerce between Berlin and the western zones, and also on the movement of cargoes to and from the Soviet zone of Germany, which have recently been imposed, shall be lifted;

"(b) The German mark of the Soviet zone shall be introduced as the sole currency for Berlin, and the Western mark "B" shall be withdrawn from circulation in Berlin."

“From the text of the agreement cited above it is evident that the four governments agreed during the negotiations in Moscow on the simultaneous lifting of restrictions on trade and communications between Berlin and the western zones and introduction of the German mark of the Soviet zone as the sole currency in Berlin. The Soviet Government insists on this, since the situation created by the separate measures of the western powers means that the three governments are not limiting themselves to their sovereign administration of the western zones of Germany but wish at the same time to administer in currency and financial matters the Soviet zone of occupation as well, by means of introducing into Berlin, which is in the center of the Soviet zone, their separate currency and thus disrupting the economy of the eastern zone of Germany and in the last analysis forcing the USSR to withdraw therefrom.

“The Soviet Government considers it necessary that the agreement reached in Moscow be carried out, and considers that further negotiations can be successful only in the event that the other three governments likewise observe that agreement. If the Government of the USA repudiates the agreement reached on August 30, only one conclusion can be drawn therefrom: namely, that the Government of the USA does not wish any agreement between the USSR, the USA, Great Britain and France for the settlement of the situation in Berlin.

“3. Inasmuch as the position of the Governments of the USA, Great Britain and France on the three disputed points was set forth in the note of September 22, the Soviet Government considers it necessary to do likewise:

“A) As regards air communication between Berlin and the western zones, the establishment by the Soviet Command of a control over the transport of commercial cargoes and passengers is just as necessary in this case as in the case of railway, water and highway transport. The air routes cannot remain uncontrolled, since an understanding has been reached between the four governments to the effect that the agreement must envisage the establishment of a corresponding control over currency circulation in Berlin and the trade of Berlin with the western zones.

“B) In the directive to the Military Governors adopted by the four governments on August 30th the functions of control by the four power financial commission of the execution of financial measures connected with the introduction and circulation of a single currency in Berlin were explicitly provided for.

"The Soviet Government considers it necessary that this agreement be carried out, including the maximum reduction of occupation costs in Berlin and the establishment of a balanced budget in Berlin (not considered up to this time in the Berlin conversations), which were provided for in that agreement.

"C) The Soviet Government has already expressed its agreement that trade between Berlin, third countries and the western zones of Germany should be placed under the control of the four-power financial commission. The Soviet Government now declares its readiness to agree to the establishment of four-power control likewise over the issuance of import and export licenses, provided agreement is reached on all other questions.

"4. Thus the reaching of agreement about the situation in Berlin now depends above all on whether the Governments of Great Britain, the United States of America and France are seeking such agreement."

COMMUNIQUE

Issued in Paris on September 26 by the Foreign Ministers of France, the United Kingdom, and the United States

Mr. Schuman, Mr. Bevin and Mr. Marshall met shortly after noon at the Quai d'Orsay to consider the Soviet note of September 25, 1948, relating to the situation in Berlin, caused by the imposition and continuance of the Soviet blockade of rail, road and water communications between Berlin and the Western Zones of occupation in Germany.

In view of the fact that the Soviet Government in violation of the understanding between the Four Powers has chosen to make public unilaterally its version of these negotiations, the three Ministers, authorized the following statement:

"The Governments of France, the United States and the United Kingdom are in agreement that the Soviet note of September 25 is unsatisfactory. The Soviet Government fails to provide the assurance requested in the notes from the three governments of September 22, 1948, that the illegal blockade measures be removed. In addition it demands that commercial and passenger traffic between the Western Zones and Berlin, by air as well as by rail, water and road be controlled by the Soviet Command in Germany. This demand of the Soviet Government is restated with emphasis in the official communique issued in Moscow. Moreover, in regard to currency, the Soviet note is evasive and does not answer the clear position stated by the three governments.

"Accordingly, the three governments are transmitting a note to the Soviet Government fully setting out their position and informing it that in view of the insistence of the Soviet Government upon maintaining the blockade and upon the institution of restrictions on air communications they are compelled in compliance with their obliga-

tions under the Charter of the United Nations, to refer the matter to the Security Council."

On the same day, September 26, the following note was delivered by the Acting Secretary of State in Washington to the Soviet Ambassador:

His Excellency ALEXANDER S. PANTUSHKIN,
Ambassador of the Union of Soviet Socialist Republics

The Acting Secretary of State presents his compliments to His Excellency, the Ambassador of the Union of Soviet Socialist Republics, and has the honor to transmit the following communication:

1. The Governments of the United States, France and the United Kingdom, conscious of their obligations under the Charter of the United Nations to settle disputes by peaceful means, took the initiative on July 30, 1948 in approaching the Soviet Government for informal discussions in Moscow in order to explore every possibility of adjusting a dangerous situation which had arisen by reason of measures taken by the Soviet Government directly challenging the rights of the other occupying powers in Berlin. These measures, persistently pursued, amounted to a blockade of land and water transport and communication between the Western zones of Germany and Berlin which not only endangered the maintenance of the forces of occupation of the United States, France and the United Kingdom in that city but also jeopardized the discharge by those Governments of their duties as occupying powers through the threat of starvation, disease and economic ruin for the population of Berlin.

2. The Governments of the United States, France and the United Kingdom have explicitly maintained the position that they could accept no arrangement which would deny or impair the rights in Berlin acquired by them through the defeat and unconditional surrender of Germany and by Four-Power agreements. They were, however, willing to work out in good faith any practical arrangements, consistent with their rights and duties, for restoring to normal the situation in Berlin, including the problems presented by the existence of two currencies in that city.

3. After long and patient discussion, agreement was arrived at in Moscow on a directive to the four Military Governors under which the restrictive measures placed by the Soviet Military Government upon transport and communications between the Western zones and Berlin would be lifted simultaneously with the introduction of the German mark of the Soviet zone as the sole currency for Berlin under Four-Power control of its issue and continued use in Berlin.

4. In connection with the lifting of restrictions and the maintenance of freedom of communication and the transport of persons and goods between Berlin and the Western zones, the agreed directive provided that restrictions recently imposed should be lifted. Generalissimo Stalin during the discussions personally confirmed that this meant the removal also of any restrictions imposed prior to June 18, 1948.

In connection with the currency situation in Berlin, the Soviet authorities insisted that the German mark of the Soviet zone be accepted as the sole currency for Berlin. The three Western occupying powers declared that they were ready to withdraw from circulation in Berlin the Western mark "B" issued in that city and to accept the German mark of the Soviet zone subject to Four-Power control over its issuance, circulation and continued use in Berlin (i. e. in Berlin only and not in the Soviet zone). After long discussions Generalissimo Stalin, on August 23, 1948, personally agreed to this Four-Power control and himself proposed the establishment of a Four-Power Financial Commission which would control the practical implementation of the financial arrangements involved in the introduction and continued circulation of a single currency in Berlin and which, Generalissimo Stalin specifically stated, would have the power to control the German Bank of Emission of the Soviet zone insofar as its operations with respect to Berlin were concerned.

5. It was with these understandings, personally confirmed by Generalissimo Stalin, that the agreed directive was sent to the four Military Governors in Berlin to work out the technical arrangements necessary to put it into effect.

6. Despite these clear understandings, the Soviet Military Governor soon made it plain in the discussions held by the four Military Governors that he was not prepared to abide by the agreed directive.

Although the directive called for the unqualified lifting of the restrictions on transport and communications between the Western zones and Berlin, the Soviet Military Governor failed to comply. What is more he demanded that restrictions should be imposed on air traffic. He endeavored to support his demand by a false interpretation of a decision of the Control Council of November 30, 1945. Actually during the discussions leading up to the decision of the Control Council of November, 1945, to establish air corridors the Soviet military authorities in Berlin had suggested that the traffic in the corridors should be limited to the needs of the military forces. Neither the Control Council, however, nor any other Four-Power body accepted this proposal and the traffic in the corridors has since

been subject only to those safety regulations which were agreed on a Four-Power basis. Other than these agreed safety regulations, no restrictions whatsoever have been or are in existence on the use by aircraft of the occupying powers of air communications in the corridors between Berlin and the Western zones of Germany.

In regard to Four-Power control of the German mark of the Soviet zone in Berlin, the Soviet Military Governor refused to admit, despite the agreement in Moscow, that the Financial Commission should exercise control over the operations with respect to Berlin of the German Bank of Emission of the Soviet zone.

Furthermore, with respect to the question of the control of the trade of Berlin, the position of the Soviet Military Governor amounted to a claim for exclusive Soviet authority over the trade of Berlin with the Western zones of occupation and with foreign countries. This claim was a contradiction of the clear meaning of the agreed directive to the four Military Governors.

7. Even while discussions were in progress, the Soviet authorities in Berlin tolerated attempts on the part of minority groups sympathetic to their political aims forcibly to overthrow the legal government of the city of Berlin, constituted by democratic elections held under Four-Power supervision. On August 30 the representatives of the three Western occupying powers in Moscow had drawn Mr. Molotov's attention to the disturbed situation in Berlin. They suggested that instructions be sent to the four Military Governors that they should do all in their power to preserve a favorable atmosphere in Berlin, but Mr. Molotov claimed that such instructions to the Soviet Military Governor were unnecessary. Nevertheless, after that date these attempts to overthrow the city government increased in violence.

8. On September 14, 1948 the representatives of the Governments of the United States, France and the United Kingdom, acting on specific instructions, called the attention of the Soviet Government to the Soviet Military Governor's disregard of the agreements reached during the Moscow discussions and requested that he be instructed to give effect to them.

9. The Soviet Government's reply of September 18, however, upheld the Soviet Military Governor's position. The Soviet Government further confirmed its intention to disregard its commitment to lift the restrictions imposed on transport and communications by seeking to impose restrictions which had not before been in effect.

With respect to trade, the Soviet requirement that the licensing of trade with Berlin be placed in the hands of the Soviet military au-

thorities made plain the Soviet Government's intention to obtain exclusive control over the trade of Berlin.

As regards the powers of the Four-Power Financial Commission, the Soviet reply asserted that the Western occupying powers desired to establish control over all operations of the German Bank of Emission. In fact the United States, the United Kingdom and French Military Governors sought only to secure the Soviet Military Governor's acceptance of the agreed principle that the Four-Power Financial Commission should control the operations of the Bank with respect to the financial arrangements relating to the currency changeover and to the continued provision and use of the German mark of the Soviet zone in the city of Berlin, (i. e. in Berlin only and not in the Soviet zone). In the light of Mr. Molotov's statements during the discussion of the Soviet reply, it became clear that no assurance was given that the Soviet Military Governor would be prepared to proceed on the previously agreed basis. Thus in this matter, as in others, the intention of the Soviet Government was manifestly to impose conditions nullifying the authority of the Western occupying powers and to acquire complete control over the city of Berlin.

10. For the Governments of the United States, France and the United Kingdom to continue discussions when fundamental agreements previously reached had been disregarded by the Soviet Government would have been futile. It would have been equally fruitless to continue such discussions in the face of the unmistakable intention of the Soviet Government to undermine, and indeed to destroy, the rights of the three Governments as occupying powers in Berlin as a price for lifting the blockade, illegally imposed in the first instance and still unlawfully maintained. The three Governments therefore despatched identical notes on September 22nd to the Soviet Government. In those notes after restating their position on the specific points at issue they asked the Soviet Government whether it was prepared to remove the blockade measures which it had imposed and thereby to establish conditions which would permit a continuation of discussions.

11. The reply of the Soviet Government in its notes to the three Governments of September 25, 1948 is unsatisfactory.

As regards the introduction and continued circulation and use in Berlin of the German mark of the Soviet zone, the Soviet Government misrepresents the position of the three Western occupying powers. The latter have made it clear from the outset that they do not desire to exercise any control over the financial arrangements in the Soviet zone of occupation, but are insisting on those conditions only

which would provide adequate Four-Power control over the financial arrangements for the introduction and continued circulation and use of the German mark of the Soviet zone as the sole currency in Berlin.

As regards control of the trade of Berlin the Soviet Government contrary to its previous attitude now states its willingness to agree to the establishment of Four-Power control over the issuance of licenses for the import and export of goods provided that agreement is reached on all other questions. It is clear, after more than six weeks of discussions, for the Soviet Government's persistent refusal to remove the blockade measures and its continued insistence on other conditions which would enable it to destroy the authority and rights of the United States, France and the United Kingdom as occupying powers in Berlin that this conditional concession is illusory.

As regards air traffic between Berlin and the Western zones of occupation, the Soviet Government, while neither affirming nor withdrawing the demand for the particular restrictions put forward by the Soviet Military Governor during the discussions in Berlin and confirmed in its reply of September 18, introduces another requirement to the effect that transport by air of commercial freight and passengers must be placed under the control of the Soviet command.

The Soviet Government's note of September 25 therefore not only ignores the request of the three Governments that the blockade measures should be removed in order that conditions may be established which would permit the continuation of discussions; it also seeks to impose restrictions on transport and communications between Berlin and the Western zones which would place the maintenance of the forces of occupation of the three Western occupying powers and the whole life of the Berlin population within the arbitrary power of the Soviet command, thus enabling the Soviet military authorities to reimpose the blockade at any moment in the future if they so desired.

12. Accordingly, it is apparent that the Soviet Government had no intention of carrying out the undertakings to which it had subscribed during the Moscow discussions in August. In the face of the expressed readiness of the Governments of the United States, France and the United Kingdom to negotiate with the Soviet Government all outstanding questions regarding Berlin and Germany as a whole in an atmosphere free from duress, the Soviet Government has, in fact, persisted in using duress. It has resorted to acts of force rather than to the processes of peaceful settlement. It has imposed and maintained illegal restrictions amounting to a blockade of Berlin. It has failed to work out in good faith Four-Power arrangements for the control of the currency of that city. Even while the Western occupying powers

were seeking agreement on measures to implement the understandings reached in Moscow the Soviet military authorities condoned and encouraged attempts to overthrow the legally constituted municipal government of Berlin. These actions are plainly attempts to nullify unilaterally the rights of the Western occupying powers in Berlin, which are co-equal with those of the Soviet Union and like them are derived from the defeat and unconditional surrender of Germany and from Four-Power agreements to which the Soviet Government is a party. Moreover, the use of coercive pressure against the Western occupying powers is a clear violation of the principles of the Charter of the United Nations.

13. The issue between the Soviet Government and the Western occupying powers is therefore not that of technical difficulties in communications nor that of reaching agreement upon the conditions for the regulation of the currency for Berlin. The issue is that the Soviet Government has clearly shown by its actions that it is attempting by illegal and coercive measures in disregard of its obligations to secure political objectives to which it is not entitled and which it could not achieve by peaceful means. It has resorted to blockade measures; it has threatened the Berlin population with starvation, disease and economic ruin; it has tolerated disorders and attempted to overthrow the duly elected municipal government of Berlin. The attitude and conduct of the Soviet Government reveal sharply its purpose to continue its illegal and coercive blockade and its unlawful actions designed to reduce the status of the United States, France and the United Kingdom as occupying powers in Berlin to one of complete subordination to Soviet rule, and thus to obtain absolute authority over the economic, political and social life of the people of Berlin, and to incorporate the city in the Soviet zone.

14. The Soviet Government has thereby taken upon itself sole responsibility for creating a situation, in which further recourse to the means of settlement prescribed in Article 33 of the Charter of the United Nations is not, in existing circumstances, possible, and which constitutes a threat to international peace and security. In order that international peace and security may not be further endangered the Governments of the United States, France and the United Kingdom, therefore, while reserving to themselves full rights to take such measures as may be necessary to maintain in these circumstances their position in Berlin, find themselves obliged to refer the action of the Soviet Government to the Security Council of the United Nations.

DEPARTMENT OF STATE

WASHINGTON

September 26, 1948

~~TOP SECRET~~*Mr. Clifford*

FROM OMGUS BERLIN
TO CSGID THRU ASA
MSG NR BIN LL

TOPSEC EYESONLY CHAMBERLIN

GEN CLAY REQUESTS IMMEDIATE DELIVERY AND ACKNOWLEDGMENT OF FOLLOWING CLIN -
QUOTE BRADLEY FROM CLAY PD LATEST REPORT CMA STILL UNCONFIRMED CMA IN-
DICATES THERE WERE TWO AMERICANS AMONG THOSE KILLED ON BRITISH PLANE PD
ROBERTSON IS ENDEAVORING TO LOCATE SOKOLOVSKY TO PROTEST PERSONALLY PD
I HAVE PLACED MYSELF AT HIS DISPOSAL IF IN HIS JUDGMENT HE BELIEVES A JOINT
PROTEST MORE DESIRABLE PD HOWEVER CMA HIS PRESENT VIEW IS THAT HIS INITIAL
PROTEST SHOULD BE SUBMITTED DIRECTLY BY HIMSELF PD FOLLOWING HIS PROTEST
TONIGHT CMA AND IN EVENT OF HIS FAILURE TO SECURE SATISFACTORY EXPLANATION
CMA I SHALL SUBMIT A SEPARATE PROTEST TOMORROW

SANTEE
AS CM IN NR 4811



DTG 051740Z

DECLASSIFIED
E. O. 11652, Sec. 3(E) and 5(D) or (E)
OSD Inst. April 12, 1974
By NLT-*[signature]*, NARS Date *11-21-75*

Copy #1~~TOP SECRET~~

~~TOP SECRET~~
~~TOP SECRET~~

Ben. Linn

PEN V ARL NR 66
FROM MESSAGE CENTER 051855Z
TO CSGID

~~TOP SECRET~~
URGENT

MSG NR BIW 10

EYES ONLY CHAMBERLIN

GEN CLAY REQUESTS IMMEDIATE DELIVERY AND ACKNOWLEDGMENT OF FLLWG:
"PERSONAL FOR BRADLEY FROM CLAY PD ROBERTSON ADVISES ME THAT EYE
WITNESSES REPORT THAT FIGHTER AIRCRAFT AND BIXXX BRITISH AIRPLANE
WERE FIRST SEEN FLYING DIRECTLY AT EACH OTHER PD OF COURSE UNDER
ALL RULES OF AIR TRAFFIC, THE COMMERCIAL PLANE CARRYING PASSENGERS
HAS RIGHT OF WAY PD THE SOVIET FIGHTER MADE NO ATTEMPT TO AVOID
BRITISH AIRPLANE UNTILL ALMOST UPON IT PD WHEN HE DID ATTEMPT TO
MANEUVER BELOW IT CMA WINGS COLLIDED AND BOTH PLANES CRASHED PD

IT IS UNDERSTOOD THAT 14 LIVES WERE LOST ON BRITISH PLANE PD
2. ROBERTSON HAS SENT A GENERAL OFFICER TO DEMAND (A) 4-POWER
INQUIRY AND (B) ASSURANCES THAT BRITISH AIRPLANES WILL NOT BE
MOLESTED PD FURTHER CMA HE HAS ADVISED SOKOLOVSKY THAT UNTIL HE HAS
HEARD FROM SOKOLOVSKY HE IS NOW PLACING AND WILL CONTINUE FIGHTER
ESCORTS OVER HIS PASSENGER FLIGHTS PD

3. WE ARE NOT SCHEDULING ADDITIONAL PASSENGER FLIGHTS TODAY SINCE
THE ONLY REMAINING FLIGHT IS A RETURN EMPTY FROM BERLIN PD HAVING
NO FIGHTER AIRCRAFT IN BERLIN WE ARE UNABLE TO PROVIDE FIGHTER ESCORT
FOR THE RETURN OF THIS PLANE PD HOWEVER CMA UNLESS A SATISFACTORY
EXPLANATION IS RECEIVED BY ROBERTSON TONIGHT CMA WE WILL PLACE FIGHTER
COVER OVER OUR PASSENGER PLANES STARTING TOMORROW PD

4. MY OWN EVALUATION IS THAT THIS ACTION WAS NOT INTENDED BUT THE
RESULT OF A "FIFETXXX FIGHT HAPPY" PILOT OUT TO SHOW HIS DEFIANCE OF
THE WESTERN POWERS PD HOWEVER CMA CONSTANT SOVIET PROPAGANDA TO THE
EFFECT THAT THERE WOULD BE SOVIET INTERFERENCE WITHOUT AIR FLIGHTS
MAKES IT DIFFICULT FOR THE SOVIETS TO MAKE A SATISFACTORY EXPLANATION
WITHOUT A SUBSTANTIAL RETREAT FROM THEIR PRESS AND RADIO PROPAGANDA WXX
WITHIN GERMANY"

AS CM IN 4812 DTG 051715Z AH
K
RECD ARL NR 66 051910 Z WRC

DECLASSIFIED
E. O. 11652, Sec. 3(E) and 3(D) at (E)
OSD letter, April 12, 1974
By NLT- , NARS Date 11-14-75

Copy # 1

CABINET MEETING, AUGUST 6, 1948

THE PRESIDENT

Read cautious note on talking & acting to avoid upsetting delicate negotiation with Russia.

MARSHALL

Speculation has now reached point that makes it imperative to guard against upset in a ticklish situation.

THE PRESIDENT

Began discussion of message to special session of Congress. Worked from outline of points to be covered in message. Demanded all out support from Cabinet and department heads for his program.

MARSHALL

Present tension in Berlin is brought about by loss of Russian face in our successes in Italy, France, Finland and added to this is the Tito defection from Russia. It is caused by Russian desperation in face of success of the European Recovery Program.

MARSHALL

Meeting in Berlin is making progress with respect to controversy between Russia and Western Powers. The position to be determined is - Do Western Powers have a right to be in Berlin or - are we there under sufferance.

30% of the China budget is collected in taxes. 70% of the budget is spent in military operations. That is that situation.

TREASURY

The Federal Reserve Bank cannot control fiscal program of the U.S. Such action will be opposed by the FDIC and the Treasury.

FORRESTAL

Dissatisfied with procedure being followed by the Hoover Commission. Agreed with President that Hoover is trying to do a good job but some of his staff are going off on tangents.

THE PRESIDENT

Asked Forrestal, Snyder and Acheson to meet and discuss. If necessary the President will talk to Hoover.

KRUG

Our development of scarce resources is being bogged down by fear of private U. S. capital of two things - stability of South American governments and unfavorable tax arrangements.

It may be necessary to provide Govt transportation to feed Alaska if West Coast strike is prolonged.

BRANNAN

Is preparing to handle recent charges of Stassen on farm products and price supports. Will attempt to keep the matter on Dewey's doorstep.

STATE

Now engaged in discussions with respect to Berlin. We are trying to move the _____ (?) from Berlin back to Moscow.

The French government political collapse makes it difficult to make progress in working out 4 Power agreement.

British situation is also strained because of home attacks on Labor government - and the fiscal crisis in that country.

If, as suggested in American press, negotiations were dropped by U. S., we would really be in the fire. We either negotiate or shoot.

SAWYER

Senate investigation of export licenses so far indicates they have no evidence of a serious nature. The only things discussed are old stuff. Senate investigators are working right in Commerce Export Division. Up to now they have found nothing and the Committee has not made one recommendation or suggestion regarding the operation of the Export Division.

ATTY GEN

Is working to get Loyalty Board to issue a blast at Congressional Spy Committee for attacks made on the Loyalty Board in a report issued by the Committee over the last weekend.

PRESS CONFERENCES

COMMENTS PERTAINING TO BERLIN AIRLIFT

JULY 22, 1948

Q: Mr. President, what do you make of this situation in Berlin?

THE PRESIDENT: No comment

Q: Is General Clay coming in to see you with General Marshall today?

THE PRESIDENT: Yes, I see General Clay and General Marshall later in the day.

Q: That is the 12:30 appointment that we have?

THE PRESIDENT: I have an appointment with General Marshall at 12:30. Yes.

Q: Do you know whether General Clay is coming in then?

THE PRESIDENT: General Clay is coming in then with General Marshall.

Q: Mr. President, will you discuss that situation in your message to Congress?

THE PRESIDENT: No, I will not

Q: Does that apply to all other angles of the international situation?

THE PRESIDENT: It does.

JULY 29, 1949

Q: Mr. President, there seemed to be some disappointment in Congress that you could not send them a report on the Berlin situation. Do you plan such a message?

THE PRESIDENT: I do not.

SEPTEMBER 9, 1948

(SEE ATTACHED AND COPY THIS)

NOVEMBER 16, 1948

(SEE ATTACHED AND COPY THIS)

DECEMBER 2, 1948

When questioned about Berlin, Truman once again stated "No comment".

92 Statement by the President Upon Releasing General Clay
Following the Agreement to Lift the Berlin Blockade.

May 3, 1949

FOUR YEARS AGO on March 29, 1945, President Roosevelt announced the selection of Gen. Lucius D. Clay for service in Military Government in Germany. Historically the Army has had a great tradition of constructive achievement in the government of occupied areas, such as Cuba, Puerto Rico, and the Philippines. But nothing that Americans had hitherto been called on to deal with approached the grim prospect presented by the moral and physical collapse of Germany and the resulting unexampled chaos.

General Clay was selected for this task on his record of tireless effort, his firmness and his fairness, his quality as a soldier, and finally his understanding of and devotion to the American spirit of freedom.

On May 15, 1949, I am acceding to his repeated request to be released from this task. Several times before it had been thought that his request could be granted, but in recurring emergencies I felt that his character and abilities were essential to the task in Ger-

many to which we were committed. He could not be spared.

The work of moral and economic reconstruction among the Germans in the Western Zone has proceeded to a point where they are about to obtain a greatly enlarged measure of political and economic responsibility. General Clay has now completed a prodigious task of administration.

As a soldier he has raised the morale and efficiency of our troops in Germany to levels in which he and the country can take justifiable pride.

His name will always be associated with one of the toughest tasks and accomplishments of American history. He deserves and will receive the thanks of the American people.

General Huebner and General Hays, General Clay's military and military government deputies, will carry on his work pending the appointment of a civilian High Commissioner.

136 Statement by the President Reporting on the Paris Meeting of the Council of Foreign Ministers. *June 21, 1949*

THE SECRETARY of State has given me daily reports, and now a final report, on the recently concluded session of the Council of Foreign Ministers in Paris.

Genuine progress was made at this session toward the conclusion of the treaty with Austria. This is a development which I know will be most welcome to the people of Austria, who for 4 years since the end of hostilities have lived under a regime of occupation. Almost 6 years ago, at the first Moscow Conference in 1943, it was solemnly declared that Austria was to be regarded not as an enemy country but as a liberated country, the first victim of Nazi aggression, and it has been the consistent effort of the United States Government and the Governments of the United Kingdom and France to honor the pledge made at that time. Yet previous meetings of the Council of Foreign Ministers and their Deputies failed to remove the obstacles which certain Soviet claims concerning Austria placed in the way of a speedy conclusion of a treaty with the Austrian Republic.

At the Paris session the more important of these obstacles were finally removed by a freely negotiated agreement among the four powers, and we have reason to hope that before the end of the year the treaty may be signed. Such a positive achievement would

be very gratifying. The Austrian people will acclaim this progress and they in turn should be commended for their attitude of patient understanding throughout the protracted negotiations. The Austrian Government has been currently consulted during the negotiations in Paris, and the agreement reached preserves intact the vital interests of Austria. It can be said that the goal so important for Austria and her people is at last in sight. The United States Government wholeheartedly welcomes the results of the Conference on Austria.

The same cannot be said regarding Germany. It must be frankly admitted that despite the forward-looking program sponsored by the Western powers as a basis for unification, little progress was made. The American delegation went to Paris with the serious intention of developing a constructive program which would meet the requirements for all of Germany and would safeguard the interests of all four powers in insuring that Germany would achieve its reconstruction along peaceful and democratic lines. At the same time, the Western powers were determined not to compromise the democratic principles and the conditions which must be established throughout Germany before an economically sound and workable solution can be found for German

unity. They were equally determined not to jeopardize the basic freedoms as they now exist in Western Germany merely to obtain a nominal political unity. In these objectives they knew they had the support of the freely elected representatives of the majority of the German people.

The Soviet Union, on the other hand, sought a return to Potsdam and its system, which the Russians had rendered unworkable by their misuse of the unlimited veto. They refused to recognize the important progress which has been made in Western Germany since 1945.

In these circumstances, real progress for the unification of Germany and its people was impossible. The most that could be achieved was a working arrangement designed to mitigate the abnormal situation of a still divided Germany. This arrangement is no more nor less than what it professes to be—a means of dealing with what actually exists. It reaffirms the lifting of the Berlin blockade and contains the recognition by the occupation authorities of their obligation to insure the movement of persons and goods between the Eastern and Western Zones and between Berlin and the zones.

In an effort to mitigate the economic consequences of the existing division of Germany, the arrangement provides for consultation among the occupation authorities of the four occupying powers on practicable and useful measures which may be taken from time to time, particularly to facilitate and increase the flow of balanced trade between the different zones and the zones and sectors of Berlin in a manner advantageous to the Germans of the respective areas. To

this end we are also prepared to call upon the expert assistance of the Germans in the Western Zones and Sectors. Since it proved impossible to establish a unified administration for Germany or even for Berlin, the present dual currency system must remain for the time being.

We are hopeful that such consultations and efforts may be fruitful. We shall endeavor to make them so.

Finally, our working arrangement calls for an exchange of views in the fall. Thus the door is left open to future efforts for a solution of the German problem and the achievement of peace in Europe.

The Secretary of State has informed me of the close cooperation and understanding which characterized the relations of the three Western powers throughout the conference. I take much satisfaction in this. It is a demonstration of the progress made possible by the identity of ideals and values which are the common heritage of the peoples of the Atlantic community.

I am convinced that the results of the Paris meeting of the Council of Foreign Ministers reveal the correctness of the policies this Government has been following in our foreign affairs. The results again underline the necessity of pursuing these policies with calmness and determination, as the only sure road to the establishment of conditions in the world where peace and freedom can live and endure. I am confident that the American people see this as clearly as I do and that there will be no slackening of our efforts to achieve the great task which history has placed upon our country.

~~TOP SECRET~~TRANSLATION

July 14, 1948

Mr. Secretary of State:

1. The Soviet Government has familiarized itself with the note of the Government of the United States of America of July 6, 1948 in which the situation which has been created at the present time in Berlin is described as a result of measures taken by the Soviet side. The Soviet Government cannot agree with this statement of the Government of the United States and considers that the situation which has been created in Berlin has arisen as a result of violation by the Governments of the United States of America, Great Britain, and France of agreed decisions taken by the four powers in regard to Germany and Berlin which (violation) has found its expression in the introduction of separate currencies *reforms, and the introduction of special currency* for the western sectors of Berlin and in the policy of the dismemberment of Germany.

The Soviet Government has more than once warned the Governments of the United States of America, Great Britain, and France in regard to the responsibility which they would take upon themselves in following along the path

~~TOP SECRET~~

~~TOP SECRET~~

of the violation of agreed decisions previously adopted by the four powers in regard to Germany. The decisions adopted at the Yalta and Potsdam Conferences and also the agreement of the four powers concerning the control mechanism in Germany ~~have~~^{have} as their aim the demilitarization and democratization of Germany, the removal of the base itself of German militarism and the prevention of the revival of Germany as an aggressive power and thereby the transformation of Germany into a peace-loving and democratic state. These agreements envisage the obligation of Germany to pay reparations and thereby to make at least partial compensation of the damage to those countries which suffered from German aggression. In accordance with these agreements the Governments of the four powers took upon themselves the responsibility for the administration of Germany and bound themselves jointly to draw up a statute for Germany or for any areas including Berlin which were part of German territory and to conclude with Germany a peace treaty which would be signed by a Government of a democratic Germany adequate for that purpose.

DECLASSIFIED

E.O. 11652, Sec. 1(1) and (4)(1) or (2)

Dept. of State, Apr. 1971

By NLY, HARS Date 11-1-72

~~TOP SECRET~~

These most important agreements of the four powers in regard to Germany have been violated by the Governments of the United States of America, Great Britain, and France. Measures for the demilitarization of Germany have not been completed and such a very important center of German military industry such as the Ruhr district has been taken out from under the control of the four powers. The execution of decisions concerning reparations from the western zones of occupation of Germany has been interrupted by the Governments of the U.S.A., the U.K., and France. By the separate actions of the Governments of the U.S.A., Great Britain, and France the four power control mechanism in Germany has been destroyed and the Control Council as a result thereof has ceased its activity.

After the London meeting of the three powers with the participation of Benelux, measures were undertaken by the Governments of the U.S.A., Great Britain, and France directed towards the division and dismemberment of Germany including preparations which are now in progress for the designation of a separate Government for the western zones of Germany and the separate currency

~~TOP SECRET~~

DECLASSIFIED
E.O. 10457, Sec. 3(c) and 3(d) on 3/11
Expt. of Sec. 10457, Sec. 3(c) and 3(d)
By NLT, 11/11/01, NARS Doc# 10457

~~TOP SECRET~~

-4-

reform for the western zones of occupation introduced on June 18th of this year.

In as much as the situation created in Berlin as well as in all Germany is the direct result of the systematic violation by the Governments of the U.S.A., Great Britain, and France of the decisions of the Potsdam Conference and also of the agreement of the four powers concerning the control mechanism in Germany, the Soviet Government must reject as completely unfounded the statement of the Government of the U.S. to the effect that the measures for the restriction of transport communications between Berlin and the western zones of occupation of Germany introduced by the Soviet command for the defense of the economy of the Soviet zones against its disorganization are allegedly in violation of the existing agreements concerning the administration of Berlin.

2. The Government of the U.S. declares that it is occupying its sector in Berlin by right arising out of the defeat and capitulation of Germany referring in this connection to agreements between the four powers in regard to Germany and Berlin. This merely confirms

DECLASSIFIED
E. O. 12812, Sec. 1(e) and 2(D) or (E)
Date of Review: Aug. 9, 1973
By NLT: JLC, NARS Date 12-1-75

~~TOP SECRET~~

the fact that the exercise of the above mentioned right in regard to Berlin is linked to the obligatory execution by the powers occupying Germany of the four party agreements concluded among themselves in regard to Germany as a whole. In conformity with these agreements Berlin was envisaged as the seat of the supreme authority of the four powers occupying Germany in which connection the agreement concerning the administration under the direction of the Control Council, of "Greater Berlin" was reached.

Thus the Agreement concerning the four power administration of Berlin is an inseparable component part of the agreement for the four power administration of Germany as a whole. After the U.S.A., Great Britain, and France by their separate action in the western zones of Germany destroyed the system of four power administration of Germany and had begun to set up a capital for a Government for Western Germany in Frankfurt-au-Main, they thereby undermined as well the legal basis which assured their right to participation in the administration of Berlin.

~~TOP SECRET~~

DECLASSIFIED

E. O. 11652, Sec. 1(E) and 3(D) or (F)

Dept. of State Instr. 72-1-75

By NLT, HARS Date 1/4/75

~~TOP SECRET~~

The Government of the United States in its note points out that its right to be in Berlin is based also on the fact that the United States withdrew its forces from certain regions of the Soviet zone of occupation into which they had penetrated during the period of hostilities in Germany and that if it (the United States Government) had foreseen the situation, which has been created in Berlin, it would not have withdrawn its forces from these regions. However, the Government of the United States well knows that in removing its troops to the boundaries of the American zone established by agreement of the four powers concerning zones of occupation in Germany it was only carrying out an obligation which it had taken upon itself and the execution of which could alone accord the right of the entry of the army of the U.S. into Berlin. An examination of the letter referred to in the note of the Government of the U.S.A. of President Truman to Premier Stalin of June 14, 1945

DECLASSIFIED
E. O. 11652
Date of Declassification: 12/15/99
By: 1043/16

~~TOP SECRET~~

-7-

and the letter in reply of Premier Stalin of June 16, 1945 confirms the fact that thanks to the agreement then reached the forces of the U.S.A., Great Britain, and France were given the opportunity to enter not only the capital of Germany, Berlin, but also the capital of Austria, Vienna, which as is known were taken only by the forces of the Soviet Army. In addition, it is known that the agreements referred to concerning the question of Berlin and also of Vienna were only a part of the agreements concerning Germany and Austria for the fulfillment of which the Soviet Government continues to insist.

DECLASSIFIED

E. O. 11652, Sec. 3(E) and 3(D) or (E)

Dept. of State letter, Aug 1, 1973

By NLT, 1/1/80, NARS Date 1/1/80

~~TOP SECRET~~

3. The Government of the United States declares that the temporary measures put into effect by the Soviet Command for the restriction of transport communications between Berlin and the western zones have created difficulties in supplying the Berlin population of the western sectors. It is impossible however to deny the fact that these difficulties were occasioned by the actions of the Governments of the U.S.A., Great Britain and France, and primarily by their separate actions in the introduction of new currency in the western zones of Germany and special currency in the western sectors of Berlin.

Berlin lies in the center of the Soviet zone and is a part of that zone. The interests of the Berlin population do not permit a situation in which in Berlin or only in the western sectors of Berlin there shall be introduced special currency which has no validity in the Soviet zone. Moreover, the introduction of a separate monetary reform in the western zones of Germany has placed Berlin and the whole Soviet zone of occupation

~~TOP SECRET~~

~~TOP SECRET~~

as well in a situation that the entire mass of currency notes which were cancelled in the western zones threatened to pour into Berlin and the Soviet zone of occupation of Germany. The Soviet Command has been forced therefore to adopt certain urgent measures for the protection of the interests of the German population and also of the economy of the Soviet zone of occupation and the area of "greater Berlin". The danger of the disruption of the normal economic activity of the Soviet zone and of Berlin has not been eliminated even at the present time in as much as the United States, Great Britain and France continue to maintain in Berlin their special currency. Furthermore, the Soviet Command has consistently displayed and is displaying concern for the well being of the Berlin population and for assuring to them normal supply in all essentials and is striving for the speediest elimination of the difficulties which have arisen recently in this matter. In this connection, if the situation requires, the Soviet Government would not object to assuring by its own means adequate supply for all "greater Berlin".

DECLASSIFIED
E. O. 11652, Sec. 3(E) and 5(D)
Dept. of State Letter, 200
By NLT, 11/17/00, NARS 11-117-11

~~TOP SECRET~~

With reference to the statement of the Government of the United States that it will not be compelled by threats, pressure or other actions to renounce its right to participation in the occupation of Berlin, the Soviet Government does not intend to enter into discussion of this statement since it has no need for a policy of pressure since by violation of the agreed decisions concerning the administration of Berlin the abovementioned Governments themselves are reducing to naught their right to participation in the occupation of Berlin.

4. The Government of the United States in its note of July 6 expresses the readiness to begin negotiations between the four Allied occupying authorities for consideration of the situation created in Berlin but passes by in silence the question of Germany as a whole.

The Soviet Government while not objecting to negotiations, considers, however, it necessary to state that it cannot link the inauguration of these negotiations with the carrying out of any preliminary conditions whatsoever and that in the second place four-power

RECEIVED
U. S. DEPT. OF STATE
JUL 10 1945
OFFICE OF THE SECRETARY
DATE: JUL 10 1945
BY: [Signature]

TOP SECRET

-11-

conversations could be effective only in the event that they were not limited to the question of the administration of Berlin since that question cannot be severed from the general question of four-power control in regard to Germany.

Accept Mr. Secretary of State the assurances of my highest consideration.

A. PANIUSHKIN

DECLASSIFIED
E. O. 11652, Sec. 1.4(c) and 1.4(d) of (B)
Dept. of State, Exec. Order 12958
By NLT-2/6/00, NARS Date 2/21/00

TOP SECRET

~~TOP SECRET~~

DECLASSIFIED

E. O. 11652, Sec. 3(E) and 3(F), or (E)

7-15-74
D. pr. of State letter, Aug-9, 1973

By NLT-116, NARS Date 2-1-84

MEMORANDUM

Mr. Malik, Soviet Representative on the Security Council of the United Nations, recently approached Mr. Jessup in a private conversation with suggestions which intimated that the Soviet Government might be prepared to lift the Berlin blockade if the Western Powers would lift the counter-blockade and would agree to a meeting of the Council of Foreign Ministers. Mr. Malik indicated that the Soviet Government might agree that the lifting of the blockade could precede the convening of the Conference of Foreign Ministers, provided a date was fixed for the latter.

In view of the extreme delicacy and importance of this matter, I instructed the Secretary of State to have this approach followed up in further private discussions between Mr. Jessup and Mr. Malik, with a view to ascertaining whether it had any real substance. Mr. Jessup was instructed in particular to obtain confirmation of Soviet readiness to lift the blockade prior to the meeting of the Ministers.

Pending such clarification I instructed the Secretary of State not to disclose information about this discussion without my authorization. The British and French Foreign Ministers were naturally kept personally informed of the progress of these talks.

The

~~TOP SECRET~~

~~TOP-SECRET~~

DECLASSIFIED

Excluded from GDS and GDS of the
Dept. of State letter, 7-25-75
By NLT/Hc, NARS Date 12-1-

-2-

The discussions to date have now indicated that there is a sufficient degree of seriousness on the Russian side to warrant our proceeding further and entering, if the Russians are willing, on the negotiation of the actual arrangements; and we are now consulting further with the British and French Foreign Ministers on this point.

In these circumstances I think it important that Secretary Royall, Mr. Voorhees, General Bradley and General Clay be acquainted with the above, for their strictly personal information, and suggest that you make the appropriate arrangements. Until further notice, I would appreciate it if you would see to it that no other persons are apprised of the matter.

I am similarly authorizing the Secretary of State to inform the political representatives of the United States at Berlin and Moscow.

~~TOP-SECRET~~

~~TOP SECRET~~

DRAFT OF POSSIBLE STATEMENT TO BE CLEARED WITH
THE BRITISH AND FRENCH AND THEN READ TO MALIK

1. Mr. Acheson has given careful consideration to the information conveyed by Mr. Malik to Mr. Jessup on April 10 including the views expressed by Mr. Vishinsky. In accordance with the position indicated by Mr. Jessup to Mr. Malik on April 5, Mr. Acheson has informed Mr. Bevin and Mr. Schuman.

2. Before proceeding with any formal discussion of arrangements regarding the simultaneous lifting of the restrictions on communications, transportation and trade and a meeting of the Council of Foreign Ministers, it is necessary to have a clear understanding on certain points which have arisen in the several informal conversations between Mr. Malik and Mr. Jessup.

3. With regard to the lifting of the restrictions, it would need to be clearly understood that the restrictions to be removed are those imposed since March 1, 1948, on the one hand by the Government of the Soviet Union on communications, transportation and trade between Berlin and the Western zones of Germany, and on the other hand by the three powers on communications, transportation and trade to and from the Eastern zone of Germany.

4. With regard to the question of the establishment of a Western German Government, it is desirable to repeat the

statement

DECLASSIFIED

E. O. 11652, Sec. 105 and 106 in (E)

Dep. of State letter, 7-2-1974

By MIL-1, PARS Date 7-2-75

~~TOP SECRET~~

statement made to Mr. Malik by Mr. Jessup on April 5; namely:
"It is a well-known fact that the three Governments are proceeding with preparations for the establishment of such a Government. These preparations will continue."

5. It can be stated in addition that, if a meeting of the Council of Foreign Ministers is held, the fact of such a meeting will not interrupt or retard these preparations.

6. On the other hand, the continuation of the preparations for the establishment of a Western German Government will not preclude or contravene any agreement arrived at by the four powers on a government for all Germany.

7. The exact date on which the Western German Government will be established cannot be determined at this time but preparations for such establishment could scarcely be completed before July 1, 1949.

8. The Foreign Ministers of the United States, France and the United Kingdom would be available for another meeting of the Council of Foreign Ministers upon the conclusion of the necessary prior agreements, but would wish to conclude their personal participation in such a meeting by approximately the end of the first week of June. These prior agreements would deal with the description of the restrictions on communications, transportation and trade to be removed and the date of their removal, and the place, date and agenda for a meeting of the Council of Foreign Ministers.

E. O. 11652, Sec. 1(b) and 1(d) and (b)
Dept. of State, 11652-1001

By MLT: [Signature] NAME Data / 12-1-49

TO: THE PRESIDENT OF THE UNITED STATES
ABOARD PRESIDENTIAL SPECIAL

NR: WHITE ONE ZERO SEVEN

DTG: 270010 Z

740 PM. E.S.T. Sept. 26.

State Department delivered to Soviet Ambassador here 6:30 p.m. Eastern Standard Time reply to the Soviet note received yesterday. Lovett says this note and "white paper" prepared by the Department covering the Moscow negotiations and including text of the Soviet note yesterday, are being released to the press at midnight.

Am sending you copy of the white paper to you in pouch leaving here tonight. Text of the reply delivered to the Soviet Embassy tonight follows:

His Excellency

Alexander S. Pavushkin,

Ambassador of the Union of Soviet
Socialist Republics.

The Acting Secretary of State presents his compliments to His Excellency, the Ambassador of the Union of Soviet Socialist Republics, and has the honor to transmit the following communication:

1. The Governments of the United States, France and the United Kingdom, conscious of their obligations under the charter of the United Nations to settle disputes by peaceful means, took the initiative on July 30, 1948, in approaching the Soviet Government for informal discussions in Moscow in order to explore every possibility of adjusting a dangerous situation which had arisen by reason of measures taken by the Soviet Government directly challenging the rights of the other occupying powers in Berlin. These measures, persistently pursued, amounted to a blockade of land and water transport and communication between the Western Zones of Germany and Berlin which not only endangered the maintenance of the forces of occupation of

TOP SECRET

By..... WARS Date.....

-2-

the United States, France and the United Kingdom in that city but also jeopardized the discharge by those governments of their duties as occupying powers through the threat of starvation, disease and economic ruin for the population of Berlin.

2. The Governments of the United States, France and the United Kingdom have explicitly maintained the position that they could accept no arrangement which would deny or impair the rights in Berlin acquired by them through the defeat and unconditional surrender of Germany and by four-power agreement, but they were, however, willing to work out in good faith any practical arrangements, consistent with their rights and duties, for restoring to normal the situation in Berlin, including the problems presented by the existence of two currencies in that city.

3. After long and patient discussion, agreement was arrived at in Moscow on a directive to the four military governors under which the restrictive measures placed by the Soviet Military Government upon transport and communications between the Western Zones and Berlin would be lifted simultaneously with the introduction of the German mark of the Soviet Zone as the sole currency for Berlin under four-power control of its issue and continued use in Berlin.

4. In connection with the lifting of restrictions and the maintenance of freedom of communication and the transport of persons and goods between Berlin and the Western Zones, the agreed directive provided that restrictions recently imposed should be lifted.

Generalissimo Stalin during the discussions personally confirmed that this meant the removal also of any restrictions imposed prior to June 18, 1948.

In connection with the currency situation in Berlin, the Soviet authorities insisted that the German mark of the Soviet zone be accepted as the sole currency for Berlin. The three Western occupying powers declared that they were ready to withdraw from circulation in Berlin the western mark "B" issued in that city and to accept the German mark of the Soviet zone subject to the four-power control over its issuance, circulation and continued use in Berlin, (i.e. in Berlin only and not in the Soviet zone). After long discussions, Generalissimo Stalin, on August 23, 1948, personally agreed to this four-power control and himself proposed the establishment of a four-power financial commission which would control the practical implementation of the financial arrangements involved if the introduction and continued circulation of a single currency in Berlin and which, Generalissimo Stalin specifically stated, would have the power to control the German bank of emission of the Soviet Zone insofar as its operations with respect to Berlin were concerned.

5. It was with these understandings, personally confirmed by Generalissimo Stalin, that the agreed directive was sent to the four military governors in Berlin to work out the technical arrangements necessary to put it into effect.

6. Despite these clear understandings, the Soviet military governor soon made it plain in the discussions held by the four military governors that he was not prepared to abide by the agreed directive. Although the directive called for the unqualified lifting of the restrictions on transport and communications between the Western Zones and Berlin, the Soviet military governor failed to comply. What is more, he demanded that restrictions should be imposed on air traffic. He endeavored to support his demand by a false interpretation of a decision

of the Control Council of November 30, 1945, actually during the discussions leading up to the decision of the Control Council of November, 1945, to establish air corridors, the Soviet military authorities in Berlin had suggested that the traffic in the corridors should be limited to the needs of the military force. Neither the Control Council, however, nor any other four-power body accepted this proposal and the traffic in the corridors has since been subject only to those safety regulations which were agreed on a four-power basis. Other than these agreed safety regulations, no restrictions whatsoever have been or are in existence on the use by aircraft of the occupying powers of air communications in the corridors between Berlin and the Western Zones of Germany.

In regard to four-power control of the German mark of the Soviet Zone in Berlin, the Soviet military governor refused to admit, despite an agreement in Moscow, that the financial commission should exercise control over the operations with respect to Berlin of the German bank of emission of the Soviet Zone.

Furthermore, with respect to the question of the control of the trade of Berlin, the position of the Soviet military governor amounted to a claim for exclusive Soviet authority over the trade of Berlin with the Western Zones of occupation and with foreign countries. This claim was a contradiction of the clear meaning of the agreed directive to the four military governors.

7. Even while discussions were in progress, the Soviet authorities in Berlin tolerated attempts on the part of minority groups sympathetic to their political aims forcibly to overthrow the legal government of the city of Berlin, constituted by democratic elections held under four-power supervision. On August 30, the representatives of the three western occupying powers in Moscow had drawn Mr. Molotov's attention to the disturbed situation in Berlin. They suggested that instructions be sent to the four military governors that they should do

all in their power to preserve a favorable atmosphere in Berlin, but Mr. Molotov claimed that such instructions to the Soviet Military Governor were unnecessary. Nevertheless, after that date these attempts to overthrow the City Government increased in violence.

8. On September 14, 1948, the representatives of the Governments of the United States, France and the United Kingdom, acting on specific instructions, called the attention of the Soviet Government to the Soviet military Governor's disregard of the agreements reached during the Moscow discussions and requested that he be instructed to give effect to them.

9. The Soviet Government's reply of September 18, however, upheld the Soviet Military Governor's position. The Soviet Government further confirmed its intention to disregard its commitment to lift the restrictions imposed on transport and communication by seeking to impose restrictions which had not before been in effect.

With respect to trade, the Soviet requirement that the licensing of trade with Berlin be placed in the hands of the Soviet Military Authorities made plain the Soviet Government's intention to obtain exclusive control over the trade of Berlin.

As regards the powers the Four-Power Financial Commission, the Soviet reply asserted that the western occupying powers desired to establish control over all operations of the German Bank of Emission. In fact the United States, the United Kingdom and French Military Governors sought only to secure the Soviet Military Governor's acceptance of the agreed principal that the Four-Power Financial Commission should control the operations of the bank with respect to the financial arrangements relating to the currency change-over and to the continued provision and use of the German mark of the Soviet Zone in the City of Berlin. (I. E. in Berlin only and not in the Soviet Zone). In the light of Mr. Molotov's statements during the discussion of the Soviet reply, it became clear that no assurance was given that the Soviet Military Governor would be prepared to proceed on the previously agreed basis. This in this matter, as in others, the intention of the Soviet Government was manifestly to impose conditions nullifying the authority of the Western Occupying Powers and to acquire complete control over the City of Berlin.

10. For the Governments of the United States, France and the United

Kingdom to continue discussions when fundamental agreements previously reached had been disregarded by the Soviet Government would have been futile. It would have been equally fruitless to continue such discussions in the face of the unmistakable intention of the Soviet Government to undermine, and indeed to destroy the rights of the three governments as Occupying Powers in Berlin as a price for lifting the blockade, illegally imposed in the first instance and still unlawfully maintained. The three Governments therefore dispatched identical notes on September 22nd to the Soviet Government. In those notes after restating their position on the specific points at issue they asked the Soviet Government whether it was prepared to remove the blockade measures which it had imposed and thereby to establish conditions which would permit a continuation of discussions.

11. The reply of the Soviet Government in its notes to the three Governments of September 25, 1948 is unsatisfactory.

As regards the introduction and continued circulation and use in Berlin of the German mark of the Soviet Zone, the Soviet Government misrepresents the position of the three Western Occupying Powers. The latter have made it clear from the outset that they do not desire to exercise any control over the financial arrangements in the Soviet Zone of Occupation, but are insisting on those conditions only which would provide adequate Four-Power control over the financial arrangements for the introduction and continued circulation and use of the German mark of the Soviet Zone as the sole currency in Berlin.

As regards control of the trade of Berlin the Soviet Government contrary to its previous attitude now states its willingness to agree to the establishment of four-power control over the issuance of licenses for the import and export of goods provided that agreement is reached on all other questions. It is clear, after more than six weeks of discussions from the Soviet Government's persistent refusal to remove the blockade measures and its continued insistence on other conditions which would enable it to destroy the authority and rights of the United States, France and the United Kingdom as occupying powers in Berlin that this conditional concession is illusory.

As regards air traffic between Berlin and the Western

Zones of Occupation, the Soviet Government, while neither affirming nor withdrawing the demand for the particular restrictions put forward by the Soviet Military Governor during the discussions in Berlin and confirmed in its reply of September 18, introduces another requirement to the effect that transport by air of commercial freight and passengers must be placed under the control of the Soviet Command.

The Soviet Government's note of September 24, therefore, not only ignores the request of the three Governments that the blockade measures should be removed in order that conditions may be established which would permit the continuation of discussions; it also seeks to impose restrictions of transport and communications between Berlin and the Western Zones which would place the maintenance of the forces of occupation of the three Western Occupying Powers and the whole life of the Berlin population within the arbitrary power of the Soviet Command, thus enabling the Soviet Military Authorities to reimpose the blockade at any moment in the future if they so desired.

12. Accordingly, it is apparent that the Soviet Government had no intention of carrying out the undertakings to which it had subscribed during the Moscow discussions in August. In the face of the expressed readiness of the Governments of the United States, France and the United Kingdom to negotiate with the Soviet Government all outstanding questions regarding Berlin and Germany as a whole in an atmosphere free from duress, the Soviet Government has, in fact, persisted in using duress. It has resorted to acts of force rather than to the processes of peaceful settlement. It has imposed and maintained illegal restrictions amounting to a blockade of Berlin. It has failed to work out in good faith Four-Power arrangements for the control of the currency of that City. Even while the Western Occupying Powers were seeking agreement for measures to implement the understandings reached in Moscow the Soviet Military authorities condoned and encouraged attempts to overthrow the legally constituted municipal government of Berlin. These actions are plainly attempts to nullify unilaterally the rights of the Western Occupying Powers in Berlin, which are co-equal with those of the Soviet Union and like them are derived from the defeat and unconditional surrender of Germany and from Four-Power agreements to which the

Soviet Government is a party. Moreover, the use of coercive pressure against the Western Occupying Powers is a clear violation of the principles of the charter of the United Nations.

13. The issue between the Soviet Government and the Western Occupying Powers is therefore not that of technical difficulties in communications nor that of reaching agreement upon the conditions for the regulation of the currency for Berlin. The issue is that the Soviet Government has clearly shown by its actions that it is attempting by illegal and coercive measures in disregard of its obligations to secure political objectives to which it is not entitled and which it could not achieve by peaceful means. It has resorted to blockade measures; it has threatened the Berlin population with starvation, disease and economic ruin; it has tolerated disorders and attempted to overthrow the duly elected Municipal Government of Berlin. The attitude and conduct of the Soviet Government reveal sharply its purpose to continue its illegal and coercive blockade and its unlawful actions designed to reduce the status of the United States, France and the United Kingdom as occupying powers in Berlin to one of complete subordination to Soviet rule, and thus to obtain absolute authority over the economic, political and social life of the people of Berlin, and to incorporate the city in the Soviet Zone.

14. The Soviet Government has thereby taken upon itself sole responsibility for creating a situation which further recourse to the means of settlement prescribed in article 33 of the Charter of the United Nations is not, in existing circumstances, possible, and which constitutes a threat to international peace and security. In order that international peace and security may not be further endangered the Governments of the United States, France and the United Kingdom, therefore, while reserving to themselves full rights to take such measures as may be necessary to maintain in these circumstances their position in Berlin, find themselves obliged to refer the action of the Soviet Government to the Security Council of the United Nations.

DECLASSIFIED
E.O. 11652, Sec. 202 and 203

TOP SECRET

TOP SECRET

BY NLT

DATE Dec 2-12-93

WHITE 39

U. S. S. WILLIAMSBURG

U R G E N T

U. S. Naval Gun Factory

WASHINGTON 25, D. C.

141842

URGENT

Nov. 14, 1948

FROM: STATE DEPARTMENT

TO : THE PRESIDENT

FROM: UEISEB 73/11141738Z

TO : WHW STATE GR 650

CRYPTO WHITE HOUSE FROM CRYPTO STATE

PLEASE RELAY FOLLOWING TO PRESIDENT TRUMAN, KEY WEST, FLA. PRS STATE
SVC 13, NOV 14, 1 P. M. SIGNED LOVETT.

FOLLOWING RELAY FROM PARIS TO DEPT AS DELGA 737 NOVEMBER 13, 5 P.M.
REPEATED WHITE HOUSE FOR RELAY PRESIDENT TRUMAN"

FOLLOWING IS TEXT OF LETTER FROM EVATT AND LIE ADDRESSED TO
CHAIRMAN DELEGATIONS OF OCCUPYING POWERS IN BERLIN WITH REQUEST
THAT IT BE TRANSMITTED TO THE HEADS OF THEIR STATES. LETTER
RECEIVED BY USGADEL NOVEMBER 13, 2:45 P.M., RELEASED TO PRESS BY UN AT 3
P.M.

BEGIN TEXT

SIR:

WE HAVE THE HONOR TO ADDRESS THIS COMMUNICATION TO THE CHAIRMAN OF
THE DELEGATIONS OF THE POWERS SIGNATORY TO THE MOSCOW AGREEMENT OF
24 DECEMBER 1945, AND TO REQUEST THAT IT BE TRANSMITTED TO THE
RESPECTIVE CHIEFS OF GOVERNMENT FOR THEIR URGENT CONSIDERATION.

ON WEDNESDAY THREE NOVEMBER 1948 THE GA OF THE UN SITTING IN
PLENARY SESSION AT PARIS UNANIMOUSLY ADOPTED AN "APPEAL TO THE
GREAT POWERS TO RENEW THEIR EFFORTS TO COMPOSE THEIR DIFFERENCES AND
ESTABLISH A LASTING PEACE". IN THIS RESOLUTION THE GA DECLARED THAT THE
DISAGREEMENT BETWEEN THE GREAT POWERS "IN ABLER MATTER OF VITAL IMPORTANCE
TO ALL THE UN IS AT THE PRESENT TIME CAUSE OF THE DEEPEST.

U. S. S. WILLIAMSBURG

U. S. Naval Gun Factory

WASHINGTON 25, D. C.

URGENT

ANXIETY AMONG ALL OF THE PEOPLES OF THE WORLD --- " AND THAT "THE UN IN THE PERFORMANCE OF ITS MOST SACRED MISSION IS BOUND TO AFFORD ITS ASSISTANCE AND COOPERATION IN THE SETTLEMENT OF A SITUATION THE CONTINUATION OF WHICH INVOLVES GRAVE DANGERS TO INTERNATIONAL PEACE"

THE RESOLUTION THEN "RECOMMENDS THE POWERS SIGNATORY TO THE MOSCOW AGREEMENTS OF 24 DECEMBER 1945 AND THE POWERS WHICH SUBSEQUENTLY ACCEDED THERETO -- TO REDOUBLE THEIR EFFORTS -- IN A SPIRIT OF SOLIDARITY AND MUTUAL UNDERSTANDING TO -- SECURE IN THE BRIEFEST POSSIBLE TIME -- THE FINAL SETTLEMENT OF THE WAR AND THE CONCLUSION OF ALL THE PEACE SETTLEMENT OF THE WAR AND THE CONCLUSION OF ALL THE PEACE SETTLEMENTS"

THE REPRESENTATIVES OF ALL THE POWERS SIGNATORY TO THE MOSCOW AGREEMENTS SPOKE IN UNQUALIFIED SUPPORT OF THIS RESOLUTION AND VOTED FOR IT. THEY HAVE ACCEPTED THE RECOMMENDATION, AND THE WORLD RIGHTLY EXPECTS THEM TO TAKE ACTIVE STEPS TOWARD CARRYING IT OUT WITHOUT DELAY.

WE BELIEVE THE FIRST STEP IS TO RESOLVE THE BERLIN QUESTION THIS CASE IS STILL PENDING BEFORE THE SC. WE BELIEVE THE HISTORY OF THE SC'S CONSIDERATION OF THIS CASE DEMONSTRATES THAT IT CAN BE SOLVED.

EVERY DAY THAT THE DEADLOCK OVER BERLIN CONTINUES THE DANGER TO THE PEACE AND SECURITY OF ALL NATIONS CONTINUES UNDIMINISHED.

FEAR OF ANOTHER WAR IS CRIPPLING THE EFFORT OF ALL NATIONS TO REPAIR THE DAMAGE OF THE LAST WAR AND RETURN ONCE MORE TO THE "WAYS OF PEACE. THE WORK OF THE GA AND OF THE UN AS A WHOLE IN EVERY FIELD OF ITS ENDEAVOR IS BEING DELAYED AND UNDERMINED .

IT IS WITHIN THE POWER OF THE LEADERS OF THE GREAT NATIONS TO WHICH THIS COMMUNICATION IS ADDRESSED TO END THIS DANGER TO THE PEACE.

U. S. S. WILLIAMSBURG

U. S. Naval Gun Factory

WASHINGTON 25, D. C.

URGENT

WE THEREFORE RESPECTFULLY URGE UPON THE GOVERNMENTS OF FRANCE, THE USSR, THE UK AND THE US, SIGNATORIES TO THE MOSCOW DECLARATION, THE DESIRABILITY OF IMMEDIATE CONVERSATIONS AND OF TAKING ALL OTHER NECESSARY STEPS TOWARD THE SOLUTION OF THE BERLIN QUESTION, THUS OPENING THE WAY TO A PROMPT RESUMPTION OF NEGOTIATIONS FOR THE CONCLUSION OF THE REMAINING PEACE SETTLEMENTS FOR GERMANY, AUSTRIA, AND JAPAN.

WE ALSO BELIEVE THE GREAT POWERS SHOULD LEND THEIR FULL AND ACTIVE SUPPORT TO THE EFFORTS AT MEDIATION OF THE BERLIN DISPUTE BY THE PRESS OF THE SC. FOR OURSELVES, WE STAND READY TO LEND ALL FURTHER ASSISTANCE, SUCH AS THE CURRENCY STUDY NOW BEING MADE BY THE UNGA WHICH SEEMS MOST HELPFUL TO THE GREAT POWERS IN THE SOLUTION OF THE PROBLEM.

WE AWAIT AN EARLY REPLY TO THIS COMMUNICATION IN ORDER THAT THE MEMBERS OF THE UN NOW ASSEMBLED HERE IN PARIS MAY BE INFORMED OF THE PROGRESS IN THE IMPLEMENTATION OF THE GA'S UNANIMOUS "APPEAL TO THE GREAT POWERS TO RENEW THEIR EFFORTS TO COMPOSE THEIR DIFFERENCES AND TO ESTABLISH A LASTING PEACE"

END TEXT

REPEATED LONDON 1258, USPOLAD BERLIN 709

DEPARTMENT PLEASE REPEAT MOSCOW AS 595. MARSHALL."

NLT (PSE-1-11-18)

~~TOP SECRET~~

021101

CENTRAL INTELLIGENCE AGENCY

EFFECT OF SOVIET RESTRICTIONS ON THE US POSITION IN BERLIN

DECLASSIFIED

E.O. 11652, Sec. 3(2) and 3(3) or 53

D. of State Let. 4-19-76
PROTECT NLT 76-15
By NLT/HCC NARS Date 8-1-76

ORE 41-48

Published on

14 JUNE 1948

COPY NO. 1
FOR THE PRESIDENT
OF THE UNITED STATES

BRIT

~~TOP SECRET~~

ORE 41-48

~~TOP SECRET~~

EFFECT OF SOVIET RESTRICTIONS ON THE US POSITION IN BERLIN

SUMMARY

Contrary to many published reports, the chief detrimental effect on the US of the Soviet restrictive measures imposed in Berlin, since the walkout of the USSR from the Allied Control Council, has not been interference with transportation and supply but curtailment of certain US activities having to do for the most part with intelligence, propaganda, and operations of the quadripartite Kommandatura.

Concurrently with attempted inspection of US military rail traffic, the Soviets both tightened their "security" measures and manifested greater intransigence in all city affairs. As a result: (a) the general usefulness of Berlin as center of an intelligence network has been impaired, while in particular, access to Soviet deserters and anti-Communist Germans has been made more difficult; (b) since friendly Germans cannot move freely to and from the Soviet Zone or within the city, the US cannot as before, support anti-Communism within the Soviet Zone; (c) US propaganda cannot be freely disseminated except by radio; (d) commodities manufactured in Berlin cannot be shipped to the Western zones; and (e) the ACC and the Kommandatura have, at least temporarily, lost their usefulness in keeping up German hope of unity, revealing coming Soviet moves, and easing US-Soviet tension below the governmental level.

Note: The information in this report is as of 1 June 1948.

The intelligence organizations of the Departments of State, Army, and the Navy have concurred in this report; the Air Intelligence Division, Air Intelligence Directorate, Department of the Air Force, concurs with those portions which pertain to air intelligence.

EFFECT OF SOVIET RESTRICTIONS ON THE US POSITION IN BERLIN

Imperative as it is for the US to remain in Berlin, its mere physical presence there does not insure continuance of all the strategic benefits that might be derived therefrom, and this strategic position has, in fact, been undermined already by unpublicized Soviet action, taken for the most part in general security and local political matters. The hindrances imposed by the USSR during the past several weeks on transportation to and from Berlin have not seriously interfered with the logistic position of the US but rather with its strategic position.

Continued US occupation of Berlin requires supply from the west of food and such other necessities as coal for both the US personnel and the German population of the US sector of the city. Incoming barge transport, carrying the bulk of food for the western sectors of the city, reportedly is unchanged and continues adequate, notwithstanding stoppages of short duration on British transport through the Soviet Zone. Inbound military and civilian rail freight, hauling the necessary coal and other supplies, continues to move as before, except that the civilian freight routes have been somewhat restricted.

The present transport situation is the result of Soviet efforts to extend the right of civilian rail traffic inspection, which the USSR has always exercised, to Western Power military traffic. Civilian passenger traffic apparently continues unchanged, but military passenger traffic does not function because of Western Power refusal to accede to Soviet demands for the right of personal inspection. Incoming road transport continues normal except for slight difficulties in routing; as yet, the USSR has not attempted seriously to restrict Western Power air transportation. The transportation situation, as outlined above, indicates that the necessities for the German population and for the US personnel in Berlin are still being supplied.

The US strategic position in Berlin, as contrasted with its logistic position, has been impaired both by the Soviet transportation restrictions and, more particularly, by other Soviet measures taken concurrently with the imposition of logistic hindrances. These comparatively unpublicized measures, which soon followed the walkout of the USSR from the Allied Control Council, have involved: general tightening of Soviet "security" measures throughout the Soviet Zone; greatly increased police controls in and around Berlin; and Soviet efforts to block the operations of both the Allied Kommandatura and the non-Communist city government. As a result the following material benefits to the US arising from the presence of US officials and troops in Berlin have been reduced or eliminated:

(1) The value of Berlin as a center of an intelligence net covering the city itself, the Soviet Zone of Germany, the eastern satellites, and the USSR has been threatened.

(2) The value of Berlin as a sanctuary and transfer point for anti-Communist refugees or Soviet Army deserters has been reduced, in that: (a) heightened Soviet security precautions make access to the western sectors of Berlin from the adjacent

Soviet Zone increasingly difficult; (b) Soviet travel restrictions on westbound passenger rail traffic have curtailed the means of evacuation of refugees and deserters, who must now be limited to relatively high-level personnel warranting air transport.

(3) Except for the capacity of the Berlin radio of the US sector, the value of Berlin as point for the dissemination of Western propaganda through the Soviet Zone has been, and despite new Soviet assurances is expected to be, curtailed by Soviet interference with the dissemination of Western publications and impediments to the issuance of any German pro-Western material in the Soviet Zone.

(4) The security and transport regulations have limited the value of Berlin as a base from which the US can support anti-Communism in the Soviet Zone. Western Zone Germans can no longer easily enter or leave the Soviet Zone, while tightened police controls have reduced the capabilities and the freedom of movement of anti-Communist elements already within the Zone.

(5) The Soviet-imposed demands for inspection of all westbound freight have prevented the shipment of Berlin manufactures that contribute to the finished production of the Western Zones and eliminated almost all commerce between Berlin and the west.

(6) Although the Allied Control Council remains in the city to embarrass the USSR as a symbol of quadripartite agreement in Germany, its functional impotence and failure to meet since the USSR abruptly terminated the 20 March session has: (a) diminished remaining German hope of implementing the Potsdam method of unifying Germany politically and economically; (b) eliminated a sounding board for the revelation of future Soviet moves; and (c) eliminated a useful safety valve for easing US-USSR tension below the governmental level.

The USSR still has at its disposal further means for harassing the US and making the latter's position in Berlin more difficult. These means include: imposition of unilateral traffic regulations on inbound food and freight shipments, attempted enforcement of unilateral regulations on the flight of Western Power aircraft over the Soviet Zone, complete repudiation of quadripartite Kommandatura jurisdiction over the Soviet sector of the city and the incorporation of that sector into the Soviet Zone, and, finally, increased efforts to create unrest among the civil population of the Western sectors of the city.

Strategic losses such as the damage to US propaganda machinery, to intelligence operations and to the use of the US sector as a sanctuary for refugees from the Soviet system, cannot be completely retrieved except by the removal of all the Soviet-imposed restrictions and impediments referred to above. Though the US could recapture a degree of the strategic initiative by intensified clandestine intelligence operations, such action could do nothing to remedy the unfortunate situation in which recent Soviet hindrances have placed the anti-Communist Berlin city government or to relieve the tension brought by increased Soviet intransigence in the quadripartite Kommandatura.

~~TOP SECRET~~

DEPARTMENT OF STATE

THE COUNSELOR

MEMORANDUM

August 30, 1948

To: The Secretary

From: Charles E. Bohlen

Subject: Status of Moscow Discussions as of Today.

During the last week discussions continued at Moscow revolving essentially around the basic point of the rights of the three Western powers in the city of Berlin. On Monday night, August 23, this basic point of principle did not fully come to a head since Stalin himself produced a draft communique and a draft directive to the Military Governors which represented a considerable Soviet concession to our point of view.

At the next meeting with Molotov on Friday, August 27, the principle of four-power control over the circulation and use of the Soviet mark in Berlin was made plainer. The three Western powers, therefore, have accepted the proposed directive to the Military Governors, but are today telling Molotov of their intention to issue a statement for publication at the time of final agreement to the effect that the agreement concerning the lifting of the blockade and currency in Berlin is without prejudice to their rights, duties, and obligations as occupying powers in the city of Berlin. It has already been made clear to Molotov that there is no agreement pending the report from the Military Governors on the working out of arrangements to deal with the currency question in Berlin. Thus while it is impossible to state finally until we have had the report of today's meeting, it appears probable that:

1. A Draft Directive will be sent to the Military Governors in Berlin to work out the practical arrangements for the introduction of the Soviet mark in the city under four-power control.

2. A short interim announcement will be issued probably tomorrow morning merely stating that in the course of the Moscow discussions it has been necessary to refer to the Military Governors in Berlin certain technical matters and that the discussions in Berlin have not yet been concluded.

~~TOP SECRET~~

~~TOP SECRET~~

-2-

DECLASSIFIED

E. O. 11652, Sec. 3(E) and 3(F) or (F)

Dept. of State letter, Aug 15, 75

By NLT-116, NARS Date 2-1-75

It is by no means certain, however, that the Military Governors will be able to work these out and the whole matter may deadlock in Berlin in which case it will be referred back to Moscow and any final breakdown would occur there on a matter of principle, i.e., our rights in Berlin rather than on a technicality between the four Military Governors.

TOP SECRET

~~TOP SECRET~~

(This Communiqué will not be subject to final approval until the Military Governors have reported back. It is, therefore, only tentative.)

I. TEXT OF COMMUNIQUE

"The Governments of France, the UK, USA and USSR have agreed that following measures under (A) and (B) shall be put into effect simultaneously, and have approved detailed arrangements for their implementation jointly worked out by the four military governors.

(A) The restrictions which have recently been imposed on communications, transport and commerce between Berlin and the Western zones and between the various zones of Germany shall be lifted, and freedom of communications, transport and commerce shall be maintained.

(B) The German mark of the Soviet zone shall be accepted, on the basis agreed between the four military governors, as the sole currency for Berlin and the Western mark "B" shall be simultaneously withdrawn from circulation in Berlin.

The four governments have also agreed that in addition to meetings of the four military governors, meetings among representatives of the four governments in the form of the Council of Foreign Ministers or other conferences of representatives of the four powers shall be held in the near future to discuss:

(1) Any outstanding questions regarding Berlin, and (2) any other outstanding problems affecting Germany as a whole."

DECLASSIFIED

E. O. 11652, Sec. 3(l) and 5(D) or (E)

Dept. of State letter, Aug 14 1975

By NLT, NARS Date 1/2/75

~~TOP SECRET~~

~~TOP SECRET~~

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 3(F) (B)
Dpt. of State letter, Aug 17 1975
By MLT. [signature], NARS Date 12-2-75

II. TEXT OF DIRECTIVE

"The Governments of France, the UK, US and USSR have decided that, subject to agreement being reached among the four military governors in Berlin for their practical implementation, the following steps shall be taken simultaneously:

(A) Restrictions on communications, transport and commerce between Berlin and the Western zones and to and from the Soviet zone of Germany which have recently been imposed shall be lifted;

(B) The German mark of the Soviet zone shall be introduced as the sole currency for Berlin, and the Western mark B shall be withdrawn from circulation in Berlin.

In connection with the above you are instructed to consult together with your colleagues so as to make, in the shortest time possible, the detailed arrangements necessary for the implementation of these decisions, and to inform your government not later than September 4 of the results of your discussions, including the exact date on which the measures under (A) and (B) above can be brought into effect. The four military governors will work out arrangements involved in the introduction of the German mark of the Soviet zone in Berlin.

The arrangements relating to the currency changeover and to the continued provision and use in Berlin of the German mark of the Soviet zone shall ensure:

(A) No discrimination or action against holders of Western marks B in connection with the exchange of those Western marks issued in Berlin. These shall be accepted for exchange for German marks of the Soviet zone at the rate of one for one;

(B) Equal treatment as to currency and provision of fully accessible banking and credit facilities throughout all sectors of Berlin. The four military governors are charged with providing adequate safeguards to prevent the use in Berlin of the German mark of the Soviet zone from leading to disorganizing currency circulation or disrupting the stability of currency in the Soviet zone;

(C) A satisfactory basis for trade between Berlin and third countries and the Western zones of Germany. Modification of this agreed basis to be made only by agreement among the four military governors;

(D) The

~~TOP SECRET~~

TOP SECRET

-2-

(D) The provision of sufficient currency for budgetary purposes and for occupation costs, reduced to the greatest extent possible, and also the balancing of the Berlin budget.

The regulation of currency circulation in Berlin is to be undertaken by the German bank of emission of the Soviet zone through the medium of the credit establishments operating at present in Berlin.

A financial commission of representatives of the four military governors shall be set up to control the practical implementation of the financial arrangements indicated above, involved in the introduction and continued circulation of a single currency in Berlin."

DECLASSIFIED

E. O. 11652, Sec. 3(f) and 1701-10 (b)

Dept. of State letter, 7-25-75

By NLT- , NARS Date 2-1-75

TOP SECRET

~~TOP SECRET~~

III

At the time of final agreement the three Western powers will communicate in writing the following reservation of their rights which will be submitted in identical written communications to the Soviet Government and will be made public:

"The arrangements agreed to by the Western powers lifting the restrictions on communications in Berlin and dealing with the currency question are without prejudice to their rights, duties, and obligations as occupying powers in Berlin."

DECLASSIFIED

E. O. 11652, Sec. 3(E) and 3(D) or (E)

Dept. of State letter, Aug 1974

By NLT-11, NARS Date 2-1-75

~~TOP SECRET~~

COPY NO. 1
FOR THE PRESIDENT
OF THE UNITED STATES

CONSEQUENCES OF A BREAKDOWN IN FOUR-POWER NEGOTIATIONS ON GERMANY



ORE 57-48

Published 28 September 1948

CENTRAL INTELLIGENCE AGENCY

DECLASSIFIED

E. O. 11652, Sec. 3(5) and 3(7) as 201
C.I.A. 6-13-74
Dept. Justice, Report No. 1074

Dep. MLT: Hc. NARS Date 7-5-74

DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:

- a. Special Assistant to the Secretary of State for Research and Intelligence, for the Department of State
- b. Director of Intelligence, GS, USA, for the Department of the Army
- c. Chief, Naval Intelligence, for the Department of the Navy
- d. Director of Intelligence, USAF, for the Department of the Air Force
- e. Director of Security and Intelligence, AEC, for the Atomic Energy Commission
- f. Deputy Director for Intelligence, Joint Staff, for the Joint Staff
- g. Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency

2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

DISTRIBUTION:

Office of the President
National Security Council
National Security Resources Board
Department of State
Office of Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
State-Army-Navy-Air Force Coordinating Committee
Joint Chiefs of Staff
Atomic Energy Commission
Research and Development Board

CONSEQUENCES OF A BREAKDOWN IN FOUR-POWER NEGOTIATIONS ON GERMANY

SUMMARY

It is believed that the Soviet objective, in entering into Four-Power discussions, was to exploit the precarious position of the Western Powers in Berlin in order to gain for the USSR certain concessions regarding Berlin and western Germany. Under these circumstances, a breakdown of negotiations would reflect a Soviet conviction that Western firmness had rendered this plan impracticable, and that the Kremlin must pursue its aims by other means. The USSR would therefore seek to obtain its goals by: (1) undermining the Western position in Berlin to the end that the Western powers would ultimately withdraw; (2) further integrating Berlin and eastern Germany with the Soviet bloc; (3) retarding the stabilization of western Germany, using Berlin when possible as a pressure point; and (4) obstructing Western European stabilization.

In the event of a breakdown of the present East-West negotiations on Germany, Soviet aims as regards Berlin would be to (1) force a Western withdrawal, and (2) hasten Soviet political and economic domination of the city. The Kremlin would attempt to force a Western withdrawal by unlimited pressure against the Western occupation authorities in Berlin as well as the western sector Germans. A program of this kind would include Soviet interference with the Western airlift, coupled with an attempt completely to disorganize normal life within the western sectors.

The USSR would take further steps to integrate the politics and economy of eastern Germany with those of the Soviet bloc. When the Kremlin felt that such a step was needed to advance Soviet policy in Germany, it might take measures to establish a "national" government in eastern Germany and follow it up by Soviet and Satellite diplomatic recognition. To enhance the prestige of the Soviet-sponsored regime throughout Germany the Kremlin might back the creation of a Soviet-controlled German army, return additional German prisoners-of-war to eastern Germany, and to a limited extent increase the availability of consumer goods in eastern Germany. When the Kremlin was assured of the reliability of its German regime, it might sign a separate peace treaty with the East German government and hint at the withdrawal of Soviet occupation troops. The latter move would be largely a propaganda effort to bring pressure to bear on the Western Powers for the withdrawal of Western occupation troops.

In western Germany, the USSR would intensify attempts to disrupt stability, and thus reduce western Germany's important contribution to European recovery. Such attempts would include intensified support of industrial strife.

Note: The intelligence organizations of the Departments of State, Army, and the Air Force have concurred in this report. The Office of Naval Intelligence dissents with the fourth paragraph on p. 2 in that it believes the following sentence should be added thereto: "However, consideration might well be given to the effects of a planned evacuation on Western initiative instead of being subjected to the ignominy of withdrawing from an untenable position." The information in this report is as of 2 September 1948.

In a widespread propaganda campaign designed for western German consumption, the Kremlin would stress further the urgent need for social and economic reform in western Germany, and agitate in favor of German national unity.

Soviet tactics outside of Germany in the event of a breakdown of East-West talks on Germany would consist of a combination of intensified antiwestern propaganda and pressure tactics. The USSR might institute a blockade of Vienna in addition to that already in effect in Berlin. A simultaneous blockade of the two capitals during the winter months would render effective airlifts to both capitals problematical. Regardless of developments in Berlin or Vienna, the Kremlin might increase pressure on the Middle or Far East. The increased uncertainty raised in Europe by Western evacuation of either city, however, would influence the Kremlin to continue to focus its attention on Europe as a target of prime importance.

Should Four-Power negotiations on Germany fail, the following are among the courses of action open to the Western Powers with a direct bearing on the Berlin impasse: (1) remain in Berlin and maintain the Western airlift operations; (2) refer the Berlin issue to the United Nations; (3) remain in Berlin and accept the Soviet offer of food and fuel for the entire city; (4) evacuate Berlin by predetermined plan; or (5) attempt to break the Soviet blockade by means of armed convoys.

Any of the courses predicated on the Western Powers' remaining in Berlin is likely in the long run to prove ineffective. The Western position in the city would increasingly deteriorate, and ultimate Western withdrawal would probably become necessary. Regardless of the set of circumstances leading to it, Western withdrawal from Berlin would seriously damage Western, and especially US, prestige throughout the world. Such action could also bring about increased Soviet pressure in western Germany and elsewhere.

Whether or not the Western Powers can remain in Berlin, they could adopt certain measures designed to stabilize further the western world and at the same time exert pressure upon the Soviet bloc. The US could augment its present efforts to strengthen and unify Western Europe politically, economically, and militarily. Meanwhile, the Western Powers could attempt the stabilization of western Germany through the establishment of a provisional West German government. Some economic pressure could be exerted on the Soviet bloc through continued blocking of reparations deliveries from western Germany to the East, by restrictions on Soviet transport through the western world, and possibly by curtailment of East-West trade. The Western Powers, however, would be reluctant to carry on economic warfare against the Soviet bloc because of the adverse effects of such action on the western economies. Western Europe would support steps to contain Communism internally and would seek to weaken the Soviet bloc through intensified anti-Communist propaganda and support of anti-Soviet elements within the USSR and its Satellites so long as these actions did not appear likely to provoke hostilities with the USSR.

CONSEQUENCES OF A BREAKDOWN IN FOUR-POWER
NEGOTIATIONS ON GERMANY

1. COURSES OF ACTION AVAILABLE TO THE USSR.

a. Increased Soviet Pressure Tactics in Berlin.

(1) The policy of the USSR is directed toward: (1) undermining the Western Power position in Berlin leading to ultimate Western withdrawal from the city; (2) further integrating Berlin and eastern Germany with the Soviet bloc; (3) retarding the stabilization of western Germany, using Berlin when possible as a pressure point; and (4) obstructing Western European stabilization.

(2) The USSR would attempt to accomplish these objectives insofar as Berlin is concerned through the following means:

(a) Interference with Western airlift operations and continuation of land blockade measures. The USSR would try to decrease the effectiveness of the Western airlift by interfering with flights and possibly attempting to reduce the number of air corridors available to the Western Powers.

(b) Further strangulation of western sector economy by continued non-recognition of western "B" marks, increased currency manipulation, and an intensified economic blockade of the western sectors.

(c) Formation of a separate Berlin administration. After further disrupting the legally elected Berlin Government, Soviet authorities would establish a Communist-dominated municipal government and declare it to be the only legal administration.

(d) Organization and support of strikes, demonstrations, and riots directed against the Western Powers in Berlin. During the winter months, with inadequate supplies and widespread unemployment in the western sectors, such tactics would render the Western position extremely precarious.

(e) Increased terrorist activities against those segments of the Berlin population actively cooperating with the Western Powers. Berliners taking part in the western sector government would be under constant threat of seizure by Soviet authorities. The German police and security administration of the western sectors would be marked for special attention by Communist "Action Committees." Such terrorist activities might also be directed against Western Allied personnel in Berlin.

(f) Further Soviet offers of food and coal rations to the Berlin population. Such offers made during the winter months could have an increasing effect in weakening German support of the Western Powers should the Western air supply prove inadequate.

(g) Increased interference with public utilities supplying the western sectors of Berlin.

(h) Interference with wire and radio communications between Berlin and the western zones.

(3) The reaction in western Germany and in Western Europe to the foregoing Soviet tactics would, except among Communist sympathizers, be highly unfavorable to the USSR and would tend to weld the Brussels Pact powers more closely. As the situation in Berlin deteriorates, Western Europe generally would support a firm stand against the USSR, but would continue efforts to prevent the situation from becoming a *casus belli*.

b. Soviet Action Affecting the Soviet Zone of Germany.

(1) With the failure of East-West negotiations on Germany, the USSR would probably consider that the division of Germany, and indirectly of Europe as a whole, had become final. Consequently the USSR would undertake measures to integrate even more closely than at present the politics and economy of eastern Germany into the Soviet bloc.

(2) The Kremlin could take steps leading to the establishment of an East German Government. Such a government would rest exclusively in the hands of German leaders enjoying the confidence of the Kremlin, since the latter would wish to exploit German nationalism without permitting it to endanger Soviet objectives. Concurrently, trade agreements between the German state and the various members of the Soviet bloc would be expanded, thus further cementing eastern Germany's economy to that of Eastern Europe.

(3) The effect on Western Europe of a definitive split of Germany and of Europe as a whole would be to retard economic recovery under ERP and to intensify a dangerous and unwelcomed political cleavage which would constitute a menace to further peaceful developments. The immediate adverse effect on Western European morale could be partially countered by an intensification of US economic and military assistance.

(4) When the Soviet Union had decided upon the formal establishment of an East German Government, Soviet and Satellite diplomatic recognition would follow, along with the declaration that such a government was the only legal one for all of Germany. The USSR would institute additional positive measures in an attempt to enhance the popularity of the newly created East German Government, such as (1) sponsoring the formation of a Soviet-controlled German army; (2) expediting the return from the USSR of German prisoners-of-war, particularly those from eastern Germany; (3) increasing consumer goods availability in eastern Germany; and (4) encouraging German hopes for a return of territory given to Poland. Western Germans, resenting the splitting of their country, might become susceptible to Soviet overtures if unification seemed possible. Reaction in Western Europe to the split of Germany and creation of an East German state would be divided between those countries which fear a strong united Germany, and those desirous of a strong united Germany as a bastion against Communist expansion.

(5) In a further effort to build up its prestige in eastern Germany, embarrass the Western Powers, and facilitate the spread of Communism in western Germany, the Kremlin might decide to (1) sign a separate peace treaty with the East German government and (2) hint at the withdrawal of Soviet occupation forces from Germany.

SECRET

Such moves would be made only after the Soviets had infiltrated all levels of the government, army, and party apparatus with loyal Communist leadership and reserved sufficient power to continue a tight behind-the-scene control and direction of the new state.

(6) Although the signing of a separate peace treaty would not necessarily imply Soviet willingness to withdraw its occupation forces, such a move might be proposed by the Kremlin in the hope that the resulting pressure would eventually induce the Western Powers to withdraw their occupation forces and thus facilitate Communist penetration into western Germany. This proposition would be generally supported in western Germany but would be rejected by Western Europe, which prefers to maintain the occupation of Germany until the perils of either Communist domination or of resurgent German nationalism have been averted.

c. Soviet Pressure on Western Germany.

(1) With the termination of East-West discussions on Germany the USSR would bend every effort to disrupt the political and economic stabilization of western Germany and thereby nullify the latter's increasingly important contribution to European recovery. Prevented from accomplishing the foregoing aim overtly, the Kremlin would intensify attempts to attain the same end by subversion and propaganda. This tactic would increase cooperation among the Western Powers against the Soviet threat and would precipitate strong counter-measures by the occupation authorities.

(2) Leading the Soviet campaign of subversion and propaganda in western Germany would be a very small but militant German Communist Party. The western German Communists would, either directly or by the use of trade union "fronts", attempt to sabotage production in key industries by means of strikes and riots. The industrially important Ruhr would be a prime target in the Kremlin strategy.

(3) The Communist propaganda machine in western Germany would continue to exploit every actual and imaginary grievance of the population. A profitable means of Communist propaganda exploitation would be that of championing popular social and economic reforms. With a weak German economy, and with inflation, lack of consumer goods, and unemployment existing as unpleasant realities in western Germany, Communist propaganda would have no scarcity of subject matter.

(4) The uncertain popularity in western Germany of the present Western plan to set up a separate decentralized western government has been indicated by its lack of strong support among German political leaders and the population in general. Communist propaganda could be expected to dwell on the theme that the Soviet Union had consistently championed establishment of a "democratic, peace-loving government for all Germany" only to have this plan blocked by the Western Powers. The Communists furthermore would hardly allow the German people to forget that it was the Soviet Union which advocated signing a peace treaty with Germany to be followed within a year by troop withdrawals. By declaring any government established in eastern Germany to be the only legitimate government for all Germany, Soviet propaganda would hope to keep alive for German nationalism the prospect of a revived "Greater Germany." The stress on centralization of economic and political control and conse-

quent greater efficiency of a Soviet-sponsored East German Government would likewise appeal to the orderly German mind. Such a move would be most unwelcome to Western Europe, and would result in strong counter-measures to check Soviet-inspired subversive forces and propaganda designed to revive nationalism.

d. Soviet Pressure outside of Germany.

(1) The Kremlin would use any UN deliberations on Germany to intensify the Soviet and Satellite propaganda attack against Western plans for establishing a West German Government and to carry on an all-out campaign in the UN, laying the blame for all phases of the present German crisis on the Western Powers. Soviet propaganda would have a limited effect in Western Europe unless it coincided with a period of economic or political unrest.

(2) In an effort to disrupt Western plans for relieving the siege of Berlin further, the Kremlin might create a diversionary tactic by instituting a blockade of Vienna. Such a maneuver would be designed to dissipate US moral and material support, and could disrupt the effectiveness of the Western airlift operations. A successful Soviet effort of this kind resulting in the abandonment of Vienna as well as Berlin by the Western Powers would lead inevitably to the partitioning of Austria and Germany.

(3) Regardless of developments in Berlin or Vienna, the Kremlin might increase pressure on the Middle or Far East. Soviet reasons for such a maneuver might be based on the following considerations: (1) temporary inability to make further inroads into Western Europe by means short of war; (2) diversion of US attention from European problems and dissipation of US aid efforts over a wider area; (3) concern over the increased danger of war inherent in further Soviet efforts in Europe; and (4) maintenance of over-all pressure in order to promote world Communism. Western European reaction to increased Soviet pressure outside of Europe would be one of temporary relief accompanied by concern for such steps as the Western Allies might take to check Soviet aggression elsewhere. The increased uncertainty raised in Europe by Western evacuation of either Berlin or Vienna, however, would influence the Kremlin to continue to focus its attention on Europe as a target of prime importance.

2. SOME POSSIBLE COURSES OF ACTION OPEN TO THE WESTERN POWERS.

a. Directly Affecting the Situation in Berlin.

(1) The US, the UK, and France could remain in Berlin temporarily and maintain their position by continuing the present airlift in order to supply food, as well as fuel for essential utilities and institutions. This airlift could not, however, sustain Western Berlin industry. Provided substantial increase in the airlift is not required, the Western position could be maintained during the winter months. At the same time, a strong city administration for the western sectors with its own currency would have to be established. In general, the immediate reaction to the Western effort to remain in Berlin would be good, not only in the western sectors of Berlin and the western zones of Germany, but also in all of the Western European countries. It could be construed by all as an indication of Western, and particularly US, determination to stop the further advance of Soviet power in Europe without resort to war.

improved their economy, political stability, and military force, although the increased danger of war would be apparent to them.

(2) The Western Powers could cut off trade with the Soviet bloc. While this course of action would have an adverse effect on the economy of the USSR and its Satellites, which need western manufactures, it would also have an adverse effect on Western European economy. It would be strenuously resisted by Western Europe even as a temporary measure, since Western European economy and particularly the success of the ERP depends to a considerable extent on trade with the East. Its permanent stoppage would have serious repercussions on the stability of all the Western Powers. A severance of trade would be disapproved in the West also as increasing the risk of war.

(3) The US, the UK, and France could refuse to resume reparations shipments to the USSR from the western zones of Germany. This step would have an adverse effect on the economy of the eastern bloc. Western Germany would welcome such action as signifying the gradual termination of industrial dismantling.

(4) The Western Powers could give the Germans in their zones increased authority and freedom. The final establishment of a provisional government for western Germany would produce a decidedly adverse effect on the USSR, regardless of the status of Berlin. It is unlikely, however, that the Soviet Union would immediately react by establishing an East German state. Temporarily, the Kremlin would probably continue to press for German unity and a German national government in the belief that the Soviet position in eastern Germany is essentially unshakable, and in the hope that western Germany could be penetrated and eventually controlled by Soviet exploitation of the powerful German urge for unity. Should these tactics indicate little prospect of success, the USSR would then probably form an East German state. In order to gain additional concessions from the West and in the hope of achieving a united Germany, the Germans would seek to play off the East against the West. This would furnish the USSR with increased opportunities to influence developments in western Germany. In Western Europe, the UK, Spain, and Italy would favor the establishment of a West German state as a bulwark against Communism; France and, to a lesser degree, the Benelux countries, all of which have a strongly developed fear of the resurgence of a strong Germany, would demand many concessions and guarantees before participating in such a move.

(5) The Western Powers could intensify their anti-Communist and anti-Soviet propaganda, at the same time curbing the activities of the indigenous Communist parties, and supporting clandestine anti-Communist and anti-Soviet groups in the Soviet sphere. These measures would tend to drive the Communist parties underground in Western Europe. This would have important political repercussions in France and Italy where the Communist parties enjoy substantial political support, and would probably lead to outbreaks of violence in both countries. Such a program would be widely applauded in Spain and western Germany as a constructive and important move. Except for the two latter countries and Portugal, Western Europe is likely to approve only such measures to combat Communism as represent firmness rather than provocation.

16
CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

12 July 1948

MEMORANDUM FOR THE PRESIDENT.

The following three messages from Berlin are quoted for your information.

1. The German Railway Management of Berlin is completing arrangements to route Soviet Zone rail traffic around Western Sectors of Berlin. This is on orders of the Soviet Transportation Chief, General Kvashin.

Source stated that the recent Soviet offer to supply elevated railways in the Western Sectors with Soviet Zone current was motivated solely by desire to maintain electric railway traffic from Berlin to neighboring towns. Closing of the system in Western Sectors would have resulted in the interruption of essential service. Upon the completion of alternate arrangements, the Soviet Zone current now used to run S-Bahn (the elevated railway) will be completely turned off, thus leaving western Sectors without the most essential and the most widely used transportation facility.

2. A usually reliable source reports as true that the shortage of material, especially steel, from the Western Sector, according to officials of Soviet A. G. Kabelwerk of Oberspree, will bring the operation there to a standstill if not relieved by 15 July 1948. Some steel is produced by local Soviet-controlled sources, but it is inadequate in quantity and costs four times as much as the steel from the West.

3. The Yugoslav Military Mission is preparing to leave Berlin by air from Gatow (airport in British Zone). A member of the mission, named Fracz (also received as Franz), allegedly flew to Hamburg about 1 July 1948 to locate provisional quarters for the entire mission in the West.

The Yugoslavs are selling sixteen cars--about half of their Berlin motor pool. Sales are being made through German agents in order to attract as little attention as possible.

SANITIZED COPY

Content UNCLASSIFIED

per

058325

date

1 SEP 1977

The mission received no favors in currency exchange—only one to ten rate.

R. H. Hillenkoetter

R. H. HILLENKOETTER

Rear Admiral, USN

Director of Central Intelligence



BEE

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

24 June 1948

MEMORANDUM FOR THE PRESIDENT

1. The meeting in Warsaw of Soviet Foreign Minister Molotov and the Foreign Ministers of the satellite states allegedly to discuss the effects of, and a reply to, the London Six-Power Agreement on Western Germany apparently stems from the need to create an Eastern bloc into which Eastern Germany could be economically, if not politically, fitted to match the western power inclusion of Western Germany in the European Recovery Program. From the formality of the meeting; from the rank of the delegates; and from the comparative publicity attending the gathering, some declaration of importance may be expected at its conclusion. For psychological and political reasons, the intentions of the USSR warrant some "explanation" in advance to the satellites and a later public announcement of satellite approval.

2. At present three courses of action in Germany, or a combination of the three, are open to the USSR. Before adopting any of these courses, the USSR will probably announce the formation of an Eastern bloc to defend itself against aggression from a resurgent Germany as established by the western powers. The Soviet action in Germany could be:

a. Announcement of an intention to permit the Germans to create a provisional government for Eastern Germany;

b. An attempt to open negotiations in order to delay immediately further western action and to impede German contribution to ERP and eventually to achieve the overall unification of Germany through an accommodation with the western powers; or

c. Immediate establishment of a purportedly independent East German state with propaganda pretension of being the restoration of the Reich.

3. The degree of consolidation now reached would permit the USSR to lay the foundations for a provisional government, in such forms as a "democratic" constitution and "free elections". While a provisional government in the Soviet Zone would not increase the economic benefits to the USSR, it would balance the scale of political developments in Germany permitting the Soviet Union to save face in any further negotiations.

DECLASSIFIED

Authority NLT-76-15

By *HK* NLT Date 10-4-72

~~SECRET~~

B F

4. For reasons elaborated in a previous evaluation, the USSR has been expected to attempt to enter into negotiations with the western powers in order to delay further or to prevent an appreciable Western German contribution to the European Recovery Program. To be acceptable, such an attempt would have to be made before the USSR took final action to establish a satellite state in Eastern Germany. Although Soviet behavior in Germany, particularly in Berlin, has been far from conciliatory, it has not been so definitive or final as to preclude further negotiations and may even have been designed to force the western powers into discussions.

5. As was previously stated, the USSR has been engaged in consolidating political and economic control of Eastern Germany to enable the USSR to create a satellite German state at this time. But, the benefits to the USSR from such a course would not now be substantially greater than those resulting from the present system. The action would, moreover, preclude the possibility of partial Soviet control over Western Germany and interference with the German contribution to the European Recovery Program.

6. Consultation with the satellite states, while not absolutely necessary under such stringent control as exercised by the USSR, would be desirable in order to obtain public satellite support for propaganda and psychological reasons. Any action resulting in the establishment of a German Government or in the unification of Germany, therefore, would warrant Soviet assurances to the satellites on matters of security, boundary or reparations claims, and on the type of German state to be evolved.

7. In view of these considerations, Central Intelligence Agency believes that the USSR is using the Warsaw conference to inform the satellites of Soviet intentions:

a. To form an "Eastern Union" against further German aggression sponsored by the western powers.

b. To announce a program for the creation of a provisional government matching in independence, and possibly in timing, the one contemplated in the west; and

c. To indicate a desire, possibly couched in face-saving terms, for resumption of negotiations with the western powers ostensibly to permit the unification of Germany, but actually to prevent the realization of Allied plans for Western Germany.

R. H. Hillenkoetter
R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence

DECLASSIFIED

only NLT- 76-15

NLT Date 10-4-77

CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

W.D.T.

10 December 1948

MEMORANDUM FOR THE PRESIDENT

The recent action of the USSR in recognizing an east Berlin government is representative of the shift which has taken place in the Kremlin's estimate concerning its capabilities in the Berlin dispute. Originally, it appeared that the Soviet Blockade of Berlin was designed primarily to gain western power concessions regarding western Germany and secondarily to force the US, the UK, and France to evacuate Berlin. The refusal of the western powers to negotiate under duress has apparently convinced the Kremlin that its chance of gaining the primary objective is remote. Soviet strategy is now concentrating upon the secondary objective, with a view to forcing the West either to evacuate the city or to negotiate on terms which will make the western position in Berlin ineffective and eventually untenable.

Stringent blockade In pursuit of this objective, the USSR may now impose a more stringent blockade of the western sectors of Berlin. The USSR can cite the recent "illegal" elections in the western sectors, or the possible introduction of the western mark as the sole legal currency in the western sectors, as an excuse to throw a cordon around the western area and thus enforce a blockade much more effective than the present one. The successful sealing-off of the western sectors of the city, combined with the establishment of the east Berlin government, would seriously damage both the political and the economic position of the western powers in Berlin.

Political effects In the political realm, the effect of this double action would be to: (1) destroy all pretense that Berlin is a unified city, thereby making UN agreements on overall Berlin affairs all but impossible to implement; (2) hamper the administration of Berlin's western sectors by cutting off the operation of public utilities and services on a city-wide basis; (3) dispirit pro-western elements in both the east and west sectors; (4) diminish Berlin's accessibility as a political sanctuary for anti-Communist Germans and Soviet deserters; and (5) reduce the capabilities of the western powers for supporting anti-Communist factions in the Soviet Zone.



DECLASSIFIED

By MLT NLT Date 10-4-72
Activity MLT-76-15

~~TOP SECRET~~

~~TOP SECRET~~

Economic effects The economic effects of this action would be to: (1) drastically reduce commerce between the east and west sectors, which now permits the blockaded Berliners to maintain a minimum business activity, thereby making it necessary to considerably expand the airlift; (2) increase physical hardship and curtail business activity through the probable stoppage of public utilities now supplied from the Soviet sector of the city; (3) cut off thousands of Berliners who live in one sector and work in the other from free movement to and from their work; and (4) force the western powers to make the western mark practically the sole currency for their sectors of Berlin in order to support the trade formerly conducted in eastern marks and to overcome the currency shortage.

Soviet position The intensification of the Soviet blockade of Berlin, combined with the establishment of the Soviet sector government, will considerably bolster the bargaining position of the USSR. In response to future UN recommendations, the USSR may insist, as a condition to further negotiations, either that UN action is applicable only to the western sectors of Berlin or that the Soviet-controlled regime of eastern Berlin must be recognized as the sole legal government for the city. More likely to seem an appealing solution to the neutral nations in the UN, however, would be a claim by the USSR that the Soviet-dominated administration of eastern Berlin must be merged into any Berlin government. Acceptance of this claim would permit the USSR to regain an indirect control over key positions in the western city government, leading to a probable future assumption of complete administrative power. Such control would enable the USSR ultimately to realize its objectives in the Berlin dispute.

Russell M. Hillenkort
R. H. HILLENKORTER

Rear Admiral, USN
Director of Central Intelligence

DECLASSIFIED

Authority NLT- 76-15 -

By HC NLT Date 10-4-77

~~TOP SECRET~~

Copy

DECLASSIFIED

TO: THE PRESIDENT OF THE UNITED STATES
ABOARD PRESIDENTIAL SPECIAL

NR : WHITE ONE ZERO SEVEN

DTG: 270010 Z

E.O. 11652, Sec. 3(E) and 5(D) or (F)
Pres. Release 9-26-94
Dept. of State Sec. August 1973 Rev. 779
By NLT/LL, NARS Date 5-22-85

State Department delivered to Soviet Ambassador here 6:30 p.m. Eastern Standard Time reply to the Soviet note received yesterday. Lovett says this note and "white paper" prepared by the Department covering the Moscow negotiations and including text of the Soviet note yesterday, are being released to the press at midnight.

Am sending you copy of the white paper to you in pouch leaving here tonight. Text of the reply delivered to the Soviet Embassy tonight follows:

His Excellency

Alexander S. Payushkin,

Ambassador of the Union of Soviet

Socialist Republics.

The Acting Secretary of State presents his compliments to His Excellency, the Ambassador of the Union of Soviet Socialist Republics, and has the honor to transmit the following communication:

1. The Governments of the United States, France and the United Kingdom, conscious of their obligations under the charter of the United Nations to settle disputes by peaceful means, took the initiative on July 31, 1948, in approaching the Soviet Government for informal discussion in order to remove every possibility of erupting a dangerous situation which had arisen by reason of measures taken by the Soviet Government directly challenging the rights of the other contracting powers to Berlin. These measures, previously perceived, amounted to a blockade of land and water transport and communication between the Western zones of Germany and Berlin which not only interrupted the maintenance of the freedom of movement of



~~TOP SECRET~~

-2-

the United States, France and the United Kingdom in that city but also jeopardized the discharge by those governments of their duties as occupying powers through the threat of starvation, disease and economic ruin for the population of Berlin.

2. The Governments of the United States, France and the United Kingdom have explicitly maintained the position that they could accept no arrangement which would deny or impair the rights in Berlin acquired by them through the defeat and unconditional surrender of Germany and by four-power agreement, but they were, however, willing to work out in good faith any practical arrangements, consistent with their rights and duties, for restoring to normal the situation in Berlin, including the problems presented by the existence of two currencies in that city.



3. After long and patient discussion, agreement was arrived at in Moscow on a directive to the four military governors under which the restrictive measures placed by the Soviet Military Government upon transport and communications between the Western Zones and Berlin would be lifted simultaneously with the introduction of the German mark of the Soviet Zone as the sole currency for Berlin under four-power control of its issue and continued use in Berlin.

4. In connection with the lifting of restrictions and the maintenance of freedom of communication and the transport of persons and goods between Berlin and the Western Zones, the agreed directive provided that restrictions recently imposed should be lifted.

Generalissimo Stalin during the discussions personally confirmed that this meant the removal also of any restrictions imposed prior to June 15, 1943.

In connection with the currency situation in Berlin, the Soviet authorities insisted that the German mark of the Soviet zone be accepted as the sole currency for Berlin. The three Western occupying powers declared that they were ready to withdraw from circulation in Berlin the western mark "B" issued in that city and to accept the German mark of the Soviet zone subject to the four-power control over its issuance, circulation and continued use in Berlin, (i.e. in Berlin only and not in the Soviet zone). After long discussions, Generalissimo Stalin, on August 23, 1948, personally agreed to this four-power control and himself proposed the establishment of a four-power financial commission which would control the practical implementation of the financial arrangements involved if the introduction and continued circulation of a single currency in Berlin and which, Generalissimo Stalin specifically stated, would have the power to control the German bank of emission of the Soviet Zone insofar as its operations with respect to Berlin were concerned.

5. It was with these understandings, personally confirmed by Generalissimo Stalin, that the agreed directive was sent to the four military governors in Berlin to work out the technical arrangements necessary to put it into effect.



6. Despite these clear understandings, the Soviet military governor soon made it plain in the discussions held by the four military governors that he was not prepared to abide by the agreed directive. Although the directive called for the unqualified lifting of the restrictions on transport and communications between the Western Zones and Berlin, the Soviet military governor failed to comply. What is more, he demanded that restrictions should be imposed on air traffic. He endeavored to support his demand by a false interpretation of a decision

of the Control Council of November 30, 1945, actually during the discussions leading up to the decision of the Control Council of November, 1945, to establish air corridors, the Soviet military authorities in Berlin had suggested that the traffic in the corridors should be limited to the needs of the military force. Neither the Control Council, however, nor any other four-power body accepted this proposal and the traffic in the corridors has since been subject only to those safety regulations which were agreed on a four-power basis. Other than these agreed safety regulations, no restrictions whatsoever have been or are in existence on the use by aircraft of the occupying powers of air communications in the corridors between Berlin and the Western Zones of Germany.

In regard to four-power control of the German mark of the Soviet Zone in Berlin, the Soviet military governor refused to admit, despite an agreement in Moscow, that the financial commission should exercise control over the operations with respect to Berlin of the German bank of emission of the Soviet Zone.

Furthermore, with respect to the question of the control of the trade of Berlin, the position of the Soviet military governor amounted to a claim for exclusive Soviet authority over the trade of Berlin with the Western Zones of occupation and with foreign countries. This claim was a contradiction of the clear meaning of the agreed directive to the four military governors.

7. Even while discussions were in progress, the Soviet authorities in Berlin tolerated attempts on the part of minority groups sympathetic to their political aims forcibly to overthrow the legal government of the city of Berlin, constituted by democratic elections held under four-power supervision. On August 30, the representatives of the three western occupying powers in Moscow had drawn Mr. Molotov's attention to the disturbed situation in Berlin. They suggested that instructions be sent to the four military governors that they should do



all in their power to preserve a favorable atmosphere in Berlin, but Mr. Molotov claimed that such instructions to the Soviet Military Governor were unnecessary. Nevertheless, after that date these attempts to overthrow the City Government increased in violence.

8. On September 14, 1948, the representatives of the Governments of the United States, France and the United Kingdom, acting on specific instructions, called the attention of the Soviet Government to the Soviet military Governor's disregard of the agreements reached during the Moscow discussions and requested that he be instructed to give effect to them.

9. The Soviet Government's reply of September 18, however, upheld the Soviet Military Governor's position. The Soviet Government further confirmed its intention to disregard its commitment to lift the restrictions imposed on transport and communication by seeking to impose restrictions which had not before been in effect.

With respect to trade, the Soviet requirement that the licensing of trade with Berlin be placed in the hands of the Soviet Military Authorities made plain the Soviet Government's intention to obtain exclusive control over the trade of Berlin.

As regards the powers the Four-Power Financial Commission, the Soviet reply asserted that the western occupying powers desired to establish control over all operations of the German Bank of Emission. In fact the United States, the United Kingdom and French Military Governors sought only to secure the Soviet Military Governor's acceptance of the agreed principal that the Four-Power Financial Commission should control the operations of the bank with respect to the financial arrangements relating to the currency change-over and to the continued provision and use of the German mark of the Soviet Zone in the City of Berlin. (I. E. in Berlin only and not in the Soviet Zone). In the light of Mr. Molotov's statements during the discussion of the Soviet reply, it became clear that no assurance was given that the Soviet Military Governor would be prepared to proceed on the previously agreed basis. This in this matter, as in others, the intention of the Soviet Government was manifestly to impose conditions nullifying the authority of the Western Occupying Powers and to acquire complete control over the City of Berlin.

10. For the Governments of the United States, France and the United

B

Kingdom to continue discussions when fundamental agreements previously reached had been disregarded by the Soviet Government would have been futile. It would have been equally fruitless to continue such discussions in the face of the unmistakable intention of the Soviet Government to undermine, and indeed to destroy the rights of the three governments as Occupying Powers in Berlin as a price for lifting the blockade, illegally imposed in the first instance and still unlawfully maintained. The three Governments therefore dispatched identical notes on September 22nd to the Soviet Government. In those notes after restating their position on the specific points at issue they asked the Soviet Government whether it was prepared to remove the blockade measures which it had imposed and thereby to establish conditions which would permit a continuation of discussions.

11. The reply of the Soviet Government in its notes to the three Governments of September 25, 1948 is unsatisfactory.

As regards the introduction and continued circulation and use in Berlin of the German mark of the Soviet Zone, the Soviet Government misrepresents the position of the three Western Occupying Powers. The latter have made it clear from the outset that they do not desire to exercise any control over the financial arrangements in the Soviet Zone of Occupation, but are insisting on those conditions only which would provide adequate Four-Power control over the financial arrangements for the introduction and continued circulation and use of the German mark of the Soviet Zone as the sole currency in Berlin.

As regards control of the trade of Berlin the Soviet Government contrary to its previous attitude now states its willingness to agree to the establishment of four-power control over the issuance of licenses for the import and export of goods provided that agreement is reached on all other questions. It is clear, after more than six weeks of discussions from the Soviet Government's persistent refusal to remove the blockade measures and its continued insistence on other conditions which would enable it to destroy the authority and rights of the United States, France and the United Kingdom as occupying powers in Berlin that this conditional concession is illusory.

As regards air traffic between Berlin and the Western

B F

Zones of Occupation, the Soviet Government, while neither affirming nor withdrawing the demand for the particular restrictions put forward by the Soviet Military Governor during the discussions in Berlin and confirmed in its reply of September 18, introduces another requirement to the effect that transport by air of commercial freight and passengers must be placed under the control of the Soviet Command.

The Soviet Government's note of September 24, therefore, not only ignores the request of the three Governments that the blockade measures should be removed in order that conditions may be established which would permit the continuation of discussions; it also seeks to impose restrictions of transport and communications between Berlin and the Western Zones which would place the maintenance of the forces of occupation of the three Western Occupying Powers and the whole life of the Berlin population within the arbitrary power of the Soviet Command, thus enabling the Soviet Military Authorities to reimpose the blockade at any moment in the future if they so desired.

12. Accordingly, it is apparent that the Soviet Government had no intention of carrying out the undertakings to which it had subscribed during the Moscow discussions in August. In the face of the expressed readiness of the Governments of the United States, France and the United Kingdom to negotiate with the Soviet Government all outstanding questions regarding Berlin and Germany as a whole in an atmosphere free from duress, the Soviet Government has, in fact, persisted in using duress. It has resorted to acts of force rather than to the processes of peaceful settlement. It has imposed and maintained illegal restrictions amounting to a blockade of Berlin. It has failed to work out in good faith Four-Power arrangements for the control of the currency of that City. Even while the Western Occupying Powers were seeking agreement for measures to implement the understandings reached in Moscow the Soviet Military authorities condoned and encouraged attempts to overthrow the legally constituted municipal government of Berlin. These actions are plainly attempts to nullify unilaterally the rights of the Western Occupying Powers in Berlin, which are co-equal with those of the Soviet Union and like them are derived from the defeat and unconditional surrender of Germany and from Four-Power agreements to which the

B

Soviet Government is a party. Moreover, the use of coercive pressure against the Western Occupying Powers is a clear violation of the principles of the charter of the United Nations.

13. The issue between the Soviet Government and the Western Occupying Powers is therefore not that of technical difficulties in communications nor that of reaching agreement upon the conditions for the regulation of the currency for Berlin. The issue is that the Soviet Government has clearly shown by its actions that it is attempting by illegal and coercive measures in disregard of its obligations to secure political objectives to which it is not entitled and which it could not achieve by peaceful means. It has resorted to blockade measures; it has threatened the Berlin population with starvation, disease and economic ruin; it has tolerated disorders and attempted to overthrow the duly elected Municipal Government of Berlin. The attitude and conduct of the Soviet Government reveal sharply its purpose to continue its illegal and coercive blockade and its unlawful actions designed to reduce the status of the United States, France and the United Kingdom as occupying powers in Berlin to one of complete subordination to Soviet rule, and thus to obtain absolute authority over the economic, political and social life of the people of Berlin, and to incorporate the city in the Soviet Zone.

14. The Soviet Government has thereby taken upon itself sole responsibility for creating a situation which further recourse to the means of settlement prescribed in article 33 of the Charter of the United Nations is not, in existing circumstances, possible, and which constitutes a threat to international peace and security. In order that international peace and security may not be further endangered the Governments of the United States, France and the United Kingdom, therefore, while reserving to themselves full rights to take such measures as may be necessary to maintain in these circumstances their position in Berlin, find themselves obliged to refer the action of the Soviet Government to the Security Council of the United Nations.

R F

~~TOP SECRET~~

AGENCY
GROUP

CENTRAL INTELLIGENCE

2430 E STREET NW.
WASHINGTON 25, D. C.

CIA 2279

NLT(CPSF-J)

W.H.

6 AUG 1948

MEMORANDUM FOR THE PRESIDENT

The immediate objective of the USSR, in agreeing to enter into negotiations on Germany, is probably to: (a) ease present international tension; and (b) exploit the current dilemma of the western powers by seeking an agreement on terms which would offer the Kremlin certain strategic advantages in return for tactical concessions.

If the Soviet representatives become convinced that the western powers are unwilling to accept minimum Soviet demands, the USSR will probably proceed to utilize the proposed conference: (a) to retard the western program for "containment" of the USSR; (b) to promote dissension among the western powers; and (c) to provide a sounding board for Soviet propaganda which would seek to interpret Soviet willingness to negotiate as proof of Moscow's "peaceful intentions" and the failure to reach agreement as proof of western intransigence.

It is believed that in such negotiations the maximum Soviet objectives would be substantially as follows: (a) deliveries of German plant reparations and reparations from current production; (b) the Soviet concept of demilitarization of Germany; (c) the formation of a national German Government; (d) a peace treaty for Germany; and (e) four-power control of the Ruhr.

Although the USSR would, during the early stages of the discussion, press vigorously for western concessions on all of the foregoing points in order to create for itself the strongest possible bargaining position, it is believed that it would be willing to settle for considerably more modest terms, because of its longer range and more important objective of having a voice in the government of all of Germany as well as in the councils of the Western European nations. Such minimum Soviet terms will

DECLASSIFIED

NLT- 76-15

~~TOP SECRET~~

NLT Date 10-4-77

~~TOP SECRET~~

probably be governed by the following general aims:
(a) to prevent the economic and political stabilization of western Europe, of which western Germany is the key; and (b) to obtain for the Soviet sphere economic benefits from western Germany.

In the pursuit of the two foregoing objectives, the USSR may be expected to insist on the following minimum terms: (a) suspension by the western powers of final establishment of a west German Government; (b) resumption of scheduled reparations deliveries from western Germany through the Inter-Allied Reparations Agency; and (c) some share in the production of western German industry, including some voice in the economic administration of the Ruhr.

In seeking agreement on the foregoing terms, the USSR may be expected to offer a number of concessions designed to conciliate the western powers and pave the way toward German unity. These concessions will involve some relaxation of Soviet controls in eastern Germany and probably will include a re-affirmation of western rights in and access to Berlin. Soviet negotiators, however, will take care to insure that such concessions do not impair the long-term capability of the USSR to dominate eastern Germany, including Berlin.

Western power acceptance of minimum Soviet terms would probably lead to a temporary agreement on Germany. This would give the USSR a breathing spell, enabling it: (a) to improve the economy of Germany's eastern Zone as well as that of eastern Europe; (b) to tighten political controls over the satellite states; (c) to conduct peace-offensive propaganda; and (d) to exploit western power differences in order to weaken the present anti-Soviet western coalition. Western Europe in general would welcome an agreement which afforded a temporary relaxation in present east-west tension, while the USSR may hope to profit by agitation for national unity in Germany.

The US would thus be in effect gambling that the cumulative effects of the ERP and other measures that the western powers may take will more than outweigh the

DECLASSIFIED

NLT- 76-15

NLT- 76-15

- 2 -

NLT

Date 10-4-77

~~TOP SECRET~~

~~TOP SECRET~~

consequences of the renewed opportunities that will accrue to the USSR for disrupting western European recovery and for gaining economic benefits. Weighed against a continuation of our present dilemma, however, the gamble would appear to be worthwhile.

R. H. Hillenkoetter

R. H. HILLENKOETTER

Rear Admiral, USN

Director of Central Intelligence

DECLASSIFIED

NLT- 76-15

By HC NLT Date 10-4-77~~TOP SECRET~~

~~SECRET~~CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

30 June 1948

MEMORANDUM FOR THE PRESIDENT

Subject: Russian Directive Indicating Soviets intend to Incorporate Berlin into the Soviet Zone

On 23 June 1948, the justice administration of the Soviet Zone issued a directive on the judicial measures to be taken in connection with currency reform. Addressed to the Ministry of Justice, Soviet Zone Laender, the Landgericht, and the Kammergericht in Berlin (both located in the Western Sectors), the directive treats Berlin as a part of the Soviet Zone. A copy of the directive is in the possession of the Central Intelligence Agency.

The above directive was discussed on 26 June 1948 among the justice and police officials of the Soviet Zone. When the Chief of Police of the legal section stated that the directive cannot be enforced because of the geographical location of the courts in Western Berlin, former President Wagner of the Interior Administration stated that this was of no consequence since detailed instructions for enforcement will not be ready for three weeks, by which time the Western Allies will have evacuated Berlin. This view was seconded by President Melzheimer of the justice administration.

Field Comment: The above information is an indication that the Soviets mean business in the present crisis. Having gone this far, it is difficult to see how they could back down without a maximum loss of face even in their own camp.

(The above information has been disseminated to Mr. Murphy in Berlin and to the Armed Services and State Department in Washington.)

R. H. Hillenkoetter
R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence

DECLASSIFIED

Authority NLT- 76-15

By Hs NLT Date 11-1-77

~~SECRET~~
CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

30 June 1948

448

MEMORANDUM FOR THE PRESIDENT

Information has been received that a conference was held in Karlshorst on 28 June 1948 between Russian officials, headed by Marshal Sokolovsky, and German members of the German industrial committee. Sokolovsky opened the conference by asking the German industrialists what influence on the Eastern Zone of Germany would exist because of the blockades from the Western Zone.

A German representative stated that being cut off from the West meant a complete stoppage of production in sugar refineries for lack of 50,000 meters of steel piping on order in the Western Zone; it almost meant a complete closing down of canneries since the entire raw material was received from the West; and a certain discontinuance of the Baltic fishing fleet within a short time because of lack of machinery parts. Sokolovsky evidenced a great consternation at this statement, replying that the Russians had been led to believe the East could be independent of the West. The German member then stated that the heavy industries, particularly the steel mills in Hennigsdorf, could not produce without the West and that other heavy industries in the Eastern Zone would be equally affected. The Russians appeared greatly shocked, and a Russian General, in charge of trade and supply, said, "We had no idea of this situation; Russia is suffering from heavy droughts and is counting on German food supplies this year. Food supplies must be maintained, come what may. If we had known this, we would not have gone so far."

During the meeting Sokolovsky stated that three possibilities were available:

- a. Start a war.
- b. Lift travel restrictions on Berlin.
- c. Leave entire Berlin to West, giving them the rail line.

After the meeting Tulpanov, who was also present, said that war was impossible due to bad harvest prospects and that lifting travel restrictions would make the Russians lose face. The third possibility was that the West would have to feed all of Berlin and would have more on their hands than they bargained for. He stated that 2,000 tons of food would

DECLASSIFIED

Authority N.T. 76-15

By HC NLT Date 10-4-77

~~SECRET~~

be needed daily to sustain the Germans in the Western sectors, but he thought the Western Powers could feed their zones by extensive import of concentrated foods.

(The above information has been disseminated to Mr. Murphy and General Walsh in Berlin and to the Armed Services and State Department in Washington. Its evaluation is: the source is very reliable and the content is possibly true.)

R. H. Hillenkoetter
R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence



DECLASSIFIED

Authority NLT- HC

By AK NLT Date 10-4-77

-2-

SECRET

~~TOP SECRET~~

24014
NLT (PSF-Int.H.) 17

CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

DECLASSIFIED

I.A. LTR. 5-12-78
ty NLT- 77-79

NLT Date 8-31-74

9 June 1948

MEMORANDUM FOR THE PRESIDENT

The unification by the US, the UK, and France of their zones of Germany under a provisional government and the internationalization of the Ruhr under the control of the western powers presumably will be interpreted by the Kremlin as potential barriers to the basic Soviet objective of preventing the economic recovery of European countries outside the Soviet sphere.

As yet no conclusive evidence has come to light that the Kremlin believes the reorganization or unification of the western zones can be successfully accomplished or will materially assist the European recovery program. In view of the complexities inherent in the establishment of a provisional government under the London agreements, the USSR is likely to delay any counter moves until the Kremlin is convinced that the western German organization is becoming a threat to Soviet foreign policy. In determining its course, the USSR will take careful note of: (1) the difficulties to be overcome by the US, the UK, and France in furnishing the new regime with proper political guidance and adequate and timely economic assistance; and (2) the extent of German cooperation or non-cooperation, particularly in the Ruhr.

The Kremlin's immediate reaction to the trizonal merger, therefore, will probably be an intensification of present Soviet activities in Germany rather than an abrupt change in either attitude or course of action. The USSR may be expected to continue its hindrance of western powers in Berlin and elsewhere in Germany by means short of military force. It will further consolidate Communist control of the eastern zone in order to obtain a "loyal" and "democratic" area, which can eventually be declared a "free German" state or used to Sovietize a unified Germany. The USSR may be expected also to step up its propaganda efforts to discredit the western powers in German eyes as the disrupters and despoilers of Germany and to depict the Soviet Union as the champion of a unified Germany.

If the trizonal merger appears successful and promises to rehabilitate western Germany as well as contribute to the European recovery program, the Kremlin will probably be impelled to alter its present tactics. Exclusive of a resort to military force, the Kremlin can logically pursue one of two courses: (1) ostensibly abandon its recalcitrant attitude and make an attractive offer to form a unified German Government under quadripartite control (in order to slow the progress of German recovery); or (2) retaliate by establishing an eastern German state.

~~TOP SECRET~~

- 2 -

The Kremlin will probably resort to the course outlined in (1) and make a vigorous effort to persuade the western powers that the USSR is sincere in its promises of cooperation. The Soviet Union is likely to make a serious endeavor to join its zone to the western zones under a single government, unless western terms for Soviet participation in a new quadripartite structure are prohibitive. If the Kremlin concludes that it cannot make the concessions demanded by the western powers, the USSR will likely adopt course (2) and announce the establishment of a new state in eastern Germany with propaganda pretensions of being the only legally-constituted German Republic and the representative government of all Germans.


R. H. HILLENKOETTER

Rear Admiral, USN

Director of Central Intelligence

~~TOP SECRET~~

~~TOP SECRET~~

ESTIMATE OF SOVIET REACTION IN GERMANY TO UNIFICATION OF THE THREE WESTERN ZONES

APPENDICES A & B

A - Discussion of possible Soviet course (1)

Any suggestion by the USSR that it join the western powers in the quadripartite control of a unified German government would be made with the full realization on both sides that past Soviet obduracy, chiefly in the matter of economic unification, had exhausted the patience of the US, the UK, and France, and had led directly to the present tripartite action. The USSR will realize, too, that the western powers would be extremely reluctant to abandon their program for the western zones either to please the Soviet Union or to take part again in fruitless discussions in an impotent Allied Control Council or elsewhere. It is probable, therefore, that any Soviet overture would be carefully worded to give the impression that the USSR had abandoned its previous intransigent attitude, and sincerely believed its own propaganda for German unity. The overture would seriously urge the western powers to consider an overall political and economic unification of Germany under a German government with a minimum of overt occupation power control.

Because the primary Soviet purpose in making such a suggestion would be to delay German and hence western European recovery by discussions and other typical Soviet delaying tactics, the USSR would be prepared to offer important tactical concessions in the form of the German administration to be established. Under almost any circumstances, the USSR could be sure that the merger of the Soviet Zone in any form of a unified Germany would assure the existence of a Communist-controlled bloc which could be relied upon to delay and block economic recovery throughout the country. Under these conditions, the USSR might also offer, largely for German domestic consumption, to reduce or drop some Soviet reparations claims, or even possibly to consider substantial reductions in the occupation forces after a "democratic" state had been firmly established.

If the western powers should permit the USSR to join in a quadripartite zonal merger without first having absolute and therefore practically impossible clarification of Soviet intentions, the USSR, either directly or through its German representatives, would work actively to defeat western plans

by such actions as: (1) demanding a Soviet voice in the control of the Ruhr; (2) proposing that all political organizations not now permitted in various areas be recognized on a quadripartite basis; (3) urging similar recognition of the Communist-dominated Free German Trade Union League in order to facilitate future Soviet control of a unified labor movement, particularly in the Ruhr; and (4) supporting rightist as well as leftist political elements in the west in order to add strength to the Soviet-controlled bloc.

B - Discussion of possible Soviet course (2)

The present high degree of Soviet control over the eastern zone of Germany would greatly facilitate the conversion of that area into a Satellite state, if the Kremlin decides to retaliate by setting up a provisional government in eastern Germany. No serious opposition could arise within the zone to the appointment, under the pretense of popular elections, of Soviet candidates to the leading positions in the new state. The creation of such a state, however, would give the USSR no immediate benefits beyond those now received from the same area. Long-range benefits would be dependent upon the acceptance by opportunistic Germans of transparent Soviet propaganda designed to depict the Soviet-sponsored state as a restoration of the Reich. The USSR would attempt to undermine the tripartite German state by urging the western Germans to rejoin the Reich. Except for the questionable value of such propaganda, the USSR would have at its disposal only strikes and sabotage with which to interfere with the economic and political recovery of western Germany.

A Satellite state, in short, would promise the USSR neither additional economic nor political benefits of any magnitude, and would fall short of the immediate objective of blocking the western power program. Such a state would guarantee continued zonal autonomy and allow the western powers to continue their independent course without serious Soviet interference.

~~CONFIDENTIAL~~

CENTRAL INTELLIGENCE AGENCY
2130 E Street, N. W.
Washington 25, D. C.

11 June 1948

MEMORANDUM FOR RECIPIENTS OF ORE 30-44

SUBJECT: Addenda to ORE 30-44

1. Attached herewith are Maps No. 10958 (China: Communist Controlled Areas, 1 May 1948) and 10976 (South China: Mineral Reserves, Industrial Concentrations, and Railroads) which are to be inserted in the back of the copy of subject report sent you under separate cover.

James M. Andrews
JAMES M. ANDREWS
Assistant Director

Office of Collection and Dissemination

Inclosures - As listed above

~~CONFIDENTIAL~~



DECLASSIFIED

Authority NLT- 77-79

By HC NLT Date 8-31-79



October 6, 1948

~~SECRET~~
copy, lv. —
NLT (NSC) 258

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

SUBJECT: Possible Soviet Interruption ^{to the} ~~of the~~ Berlin airlift

REFERENCE: NSC Action No. 118

Declassified - Sanitized

DECLASSIFIED

E.O. 12958, Sec. 3.4

Auth: 87-84

By: CB NLT Date: 8/26/91

~~TOP SECRET~~

PLT (NSC) 259

Suggested Covering Statement by Executive Secretary,
NSC regarding Report on Berlin Airlift

At its 22nd meeting the National Security Council directed the NSC Staff to prepare for consideration by the Council at its next meeting a report with respect to U.S. courses of action in the event of partial or complete interruption by the Soviets of the airlift to Berlin.

Pursuant to this directive, the Department of State prepared an initial draft paper on the subject which was discussed and amended by the NSC Staff members. The amended report was then considered and discussed at a meeting of the NSC consultants. Subsequent to that meeting, a revised draft paper, enclosed herewith, was prepared. The enclosure is only a working draft and does not represent the final views of any Departments or Agencies.

The NSC consultants feel that the serious implications involved in this subject and the need for authoritative advice on our military capabilities under the presumed conditions make it undesirable and,

~~TOP SECRET~~

~~TOP SECRET~~

-2-

in fact, dangerous to approve specific recommendations at the forthcoming Council meeting on Thursday, October 7. The NSC consultants instead suggest that the enclosed draft report be referred to the Joint Chiefs of Staff for comment and recommendations ^{as indicated in paragraphs 8 and 9 thereof,} which may subsequently be considered by the NSC Staff in the preparation of a report to the Council at the earliest practicable date.

S - W S
E - S



~~TOP SECRET~~

DRAFT

TOP SECRET

TOP SECRET

CONFIDENTIAL

October 6, 1948

SOVIET THE
POSSIBLE INTERRUPTION TO BERLIN AIRLIFT

THE PROBLEM

1. To outline the course of action of the United States in the event of partial or complete interruption by the USSR of the airlift to Berlin.

COMMENT

2. It is assumed that the problem envisages interruption of the airlift as a result of varying forms of physical interference by the Russians with the movement of US planes into or out of Berlin.

3. We are operating our planes into Berlin by right, and consequently any physical interference with that operation would be in violation of the Four-Power Agreement contained in the decision of the Allied Control Council of November 30, 1945 which established agreed air safety regulations. Such interferences also would be either a provocative or a hostile act on the part of the USSR.

4. The National Security Council at its sixteenth meeting on July 22, 1948 reiterated the determination of the United States to remain in Berlin in any event. Under date of July 26, 1948, the Secretary of Defense forwarded, for the information of the National Security Council, views which had been expressed by the Joint Chiefs of Staff on the matter of United States military courses of action with respect to the situation in Berlin. Among the views of the Joint Chiefs at that



time was that they were "firmly of the opinion that air transport supply should be continued and should be augmented immediately as necessary to meet the minimum requirements since this is provided and should continue to provide a cushion of time during which some other solution to the Berlin problem may be found and during which appropriate action may be taken toward meeting all eventualities." The NSC at its sixteenth meeting on July 22 also concurred in plans for reduction of the number of dependents in Berlin and for holding those remaining in readiness for immediate evacuation when and if the U.S. Commanding General in Europe deems it necessary.

5. The recommendations outline a general procedure only. Each specific case should be handled according to the nature of the possible interference and the circumstances under which it takes place.

6. The recommendations also deal only with a situation in which U.S. forces remain in Berlin and the airlift continues in operation. They do not deal with the fundamental problem of the course of action of the United States in the event that it becomes impossible to supply and maintain U.S. forces in Berlin, which will be dealt with ~~later~~ in the report being prepared pursuant to NSC Action No. 113.

RECOMMENDATIONS

7. The U.S., U.K. and France, particularly the U.S. and the U.K., should take joint action as concerns the airlift; and commitments have been given to the British and French Governments that the U.S. will take no action in the Berlin situation without prior consultation with them.

8. The JCS should be requested to submit to the NSC as a matter of urgency their recommendations as to the practicable military measures that might be taken against the USSR forces within or over the air corridors in the event of Soviet acts resulting in the loss of US planes or serious interference with the airlift.

9. In ^{preparing their recommendations regarding} ~~the~~ U.S. measures of defense against Soviet interference with the airlift, ^{the JCS should be requested to make} ~~an effort should be~~ made to distinguish between two categories of military measures, although it is recognized that it is extremely difficult and may be impossible to do so satisfactorily. The two categories are:

(a) those essential for the defense of the personnel and military equipment of U.S. forces; measures which must be put into effect at the discretion of the U.S. Commanding General in Europe, and which may have to include the temporary suspension of the airlift operations;

(b) offensive or retaliatory measures against USSR forces which may be interfering with the airlift to the extent of causing loss of U.S. lives or planes; measures which in the present tense situation might well result in the outbreak of hostilities leading to war, and which have such grave implications that the decision to adopt them must be taken at a top government level in Washington and not unfairly made the responsibility of any commanding officer in the field.



UNCLASSIFIED



-4-

10. Pending receipt of recommendations from the JCS, the United States should adopt the following interim courses of action.



~~TOP SECRET~~

-6-

11. The airlift operation should be continued in accordance with the foregoing recommendations, pending a further review of the situation by the National Security Council.

12. The United States should keep the United Nations fully informed regarding all incidents and developments in connection with the operation of the airlift.

THE WHITE HOUSE
WASHINGTON

November 2, 1951

MEMORANDUM FOR THE PRESIDENT'S PERSONAL FILES:

The President today at the request of the Department of State autographed certain books provided by the Department for presentation to the Free University of Berlin.

In each book the President wrote "To the Free University of Berlin, Harry S. Truman, 11/2/51."

The titles of the works follow:

DEMOCRACY IN AMERICA (2 vols.)
by Alexis De Tocqueville

HUCKLEBERRY FINN
by Mark Twain

MOBY DICK OR THE WHITE WHALE
by Herman Melville

THE FIFTEEN DECISIVE BATTLES OF THE WORLD
by Sir Edward Creasey

THE AUTOBIOGRAPHY OF BENJAMIN FRANKLIN

THE INFLUENCE OF SEA POWER UPON HISTORY 1660-1783
by Alfred Thayer Mahan

I am holding these books until I hear from Mr. McWilliams, Director, Executive Secretariat, Department of State, as to their delivery to Berlin.

W. D. H.
W. D. H.

cc: Mr. McWilliams

#1
(NOT FOR THE PRESS)
(FOR DEPARTMENTAL USE ONLY)

Department of State

No. 15

PRESS AND RADIO NEWS CONFERENCE, WEDNESDAY, APRIL 13, 1949 -
3:30 p.m.

SECRETARY ACHESON: Good afternoon, ladies and gentlemen. There are a few questions that I would like to bring up before we get to the questions.

At our last meeting, I was asked a question which I promised to clear up for you and will attempt to do so now. The question was whether the agreement which the Foreign Ministers had reached as to the principles of the fusion of the three zones would be at all operable, would they be in effect prior to the Constitution of the German Government? I did not want to risk answering that question last week. I think the answer is as follows: What the Foreign Ministers agreed was to enter into an agreement on the subject of the fusion of the three zones so we start off with Point 1, which was that they agreed to enter into an agreement. They agreed to enter into that agreement prior to the formation of the German Government. They also agreed upon the principles which would govern the tripartite controls if, as and when the new German Government was formed. Do you follow me so far? Now, it is also understood that those principles would be applicable to a period before the German Government was formed and that we would look forward to putting the three zones together before the new German Government was formed. Now, you will see, therefore, that what remains to be done is to work out the details of the full agreement. The basic principles have been agreed to. The basic principles relate to the exercise of the powers of the occupying authorities. How will these three authorities exercise the powers which they reserve under the occupation statute? That has all been agreed to and that will be carried over in the trizonal fusion agreement. There are many details

which will have to be worked out and will be worked out and are not difficult on the exact composition of the various staffs, et cetera.

These principles will be put into effect in so far as inter-Allied operations are concerned in Germany prior to the formation of the German Government when the three zones are put together and they will, to a large part, govern the putting together of the three zones prior to the formation of the German Government.

Now, I think that is the answer to that question which I knew was somewhat technical and as to which I did not dare trust myself last week.

May I say a few words also about these agreement and then perhaps read you one or two things on some of them. You know now that the occupation statute has been released, first in Germany, and later here. We did not wish to release it before it had been communicated to the German authorities. There was no desire to interfere with the proper exercise of your occupation but it was necessary to give it to the Germans first. We have now made it available to you and later if you have any questions in regard to it, I will be glad to answer them.

Today we have made public two more agreements, the one on reparations, the one which relates to plants and the ones which relate to the prohibited and restricted industries. Those matters have been discussed quite fully in conferences which you had with Mr. Hoffman and some of my associates, and Mr. Reinstein can go into any detail that you wish as to the substance of these agreements.

There are two points I would like to make. The first one is that all of these agreements were made possible on our side by the most complete teamwork which was carried on between the Defense establishment, the ECA and the



Department of State. Every step in this was thoroughly thrashed out and thoroughly agreed by the three Departments before an American position was taken and then it was a comparatively simple function for me in the discussions to represent the United States position. I want to make that very clear.

The second point in regard to these two agreements released today is that they are related. They are intimately related. The decision which was reached in regard to what plants should be left and what plants should be dismantled was intimately connected with the agreement on the prohibited and restricted industries. Now, one was made possible by reason of the other and in turn, both of these agreements bore a very intimate relationship to the whole area of agreement which was reached here in Washington.

Now, I have here a statement or two, one on the matter of the Ruhr Authority which is an attempt to put together an answer to some of the questions which you have asked Mr. McDermott. (See Press Release No. 249)

Q. Is this going to be available?

A. Yes, this will be available.

Now, I also have a statement to read to you on some decisions of the International Court of Justice, but before we get to that, may I discuss a matter which I have here. There has been some discussion on this which I think has been under a misapprehension. This discussion seems to assume that what are called the reserve areas, where authority has been specifically reserved, are areas where action by the future German Government is excluded. I have seen statements that the German Government will have no control over its foreign trade or foreign policy or other internal matters of this, that and the other sort. Now, that is not the case and I wish to direct your attention very specifically to

paragraph 4 of section 4, whatever you call it, of this agreement, of this occupation statute. That says: "The German Federal Government and the governments of the Laender shall have the power, after due notification to the occupation authorities, to legislate and act in the fields reserved to these authorities, except as the occupation authorities otherwise specifically direct, or as such legislation or action would be inconsistent with decisions or actions taken by the occupation authorities themselves."

Now, what is contemplated here is that in this occupation statute, certain fields which are mentioned in Article 2 and which are intimately connected with the success of the occupation as to those fields--the German authorities are notified by this statute that the occupation authorities reserve their right to act if they think it is necessary to act; that is, take positive action in these fields. If it is not necessary to do so, they won't do so. In these fields, as in all fields of governmental action in Germany, the occupation authorities may, under principles which they have established between them, stop German action if it is contrary to the purposes of the occupation. ~~(statute)~~xx The whole purpose of this statute is to give the future German Government a very wide area within which ~~xxxxxx~~ it can operate, notifying them as to certain things which affect the success of the operation. For instance, Germany could take action in regard to its foreign trade which would greatly increase or tend to increase the cost of assistance they would ask for from the outside. Now, no prudent people could say, "You just go ahead and do anything you like and we will foot the bill." That is not the case. It may be that the occupation authorities will have to step in in these fields and not only say "you must not do what you propose to do. On the other hand, you must do something here because otherwise, you may run into very grave foreign exchange trouble."



That is particularly obvious in the fields of disarmament and demilitarization and other matters, but in all of these matters, it is specifically stated in Article 4 that the German Government may go ahead and act in these fields so long as it ~~xxx~~ notifies the occupation authorities in advance what it proposes to do. They may say, "No, you may not do that", but unless they do, they are free to act. I think that is all I want to bring to your attention in that field.

Now, I have a statement here which will be available to you and I don't think I need bore you by reading all of it. It calls your attention to two decisions of the International Court, one decided on Saturday, April 9, in the case between the United Kingdom and Albania which has to do with damages resulting from the mining of two British destroyers in the Corfu Channel. We point out that the Court has decided ~~that, that it has decided~~ in favor of the United Kingdom by a vote of 11 out of the 16, ^{OR} ~~of the~~ 11 to 5. We point out that the Court did not assess the damages but decided to hold further hearings if the two parties accept its competence to assess damages. I suppose If not, ~~they will~~ it will have to go on to decide whether it has the right to do that. ((See Press Release No. 246))

We also called your attention yesterday to the advisory opinion handed down by the same Court which holds that the United Nations as an entity has the right to bring suit against any government which has caused it damage. I think the particular question had to do in this case for injury caused to the organization or to any of its agents in the discharge of their United Nations functions. The Court decided that any nation, whether or not a member of the United Nations, is legally responsible to the United Nations for such injury.

I think those are all the matters that I want to bring to your attention myself.

Here is another one which has to do with the reception in Germany of the occupation statute. ~~END~~
(See Press Release No. 247)

I think really that is the last this time.



Q. Mr. Secretary, in your prepared statement—I assume that statement is to be given out in mimeographed form?

A. Yes, it is. (handing copy to Mr. Hightower.)

Q. Thank you, Sir. There is no reference to foreign policy on which there was considerable interest in these German comments you referred to. Do I understand from your previous informal remarks that the German Government would have the right to send out Ambassadors and make treaties and that sort of thing? I mean to conduct foreign relations in that sense?

A. Under the Occupation Statute that is one of the reserved fields. Let's look at it and get it straight here. (Looking through the Occupation Statute) That is 2(c), "Foreign Affairs including international agreements made by or on behalf of Germany." Now, what Section 4 says is within that field the Germans would have the power to legislate and to act provided they notify the Occupation Authorities in advance and the Occupying Authorities do not specifically tell them that they may not. Therefore, if they wish to take some action in that field and prepare it, get it in the form which they wish to take, put it before the Occupation Authorities, and they do not say no, then they may go ahead and do it. Now, also, they must not do it if it's inconsistent with some action of the Occupation Authorities.

Q. It's conceivable then that Germany can send out Ambassadors even though a technical state of war exists?

A. I presume so, if the Occupation Authorities permitted that.

Q. Mr. Secretary, is there any date that may be set up as a goal by which time these unsettled questions on the Occupation Statute should be resolved between the Western Allies and the Germans?

A. Well, now, I don't know any unsettled questions about the Occupation Statute.

Q. Well, I thought you indicated that there were some matters that were still under discussion?

Q. The details?

A. I think I was referring to the Tripartite ^{arrangement} fusion, which is an agreement not between the Germans and the Occupying Authorities but between the Occupying Authorities. I tried to point out there that the principles, very exact principles, have been agreed upon which relate to the exercise of Tripartite controls. Those just have to be moved right over and then there are details of the agreement which will be worked out.

Q. May I put it this way, then, Sir, with respect to the Occupation Statute when do you expect that agreement may be reached with the Germans?

A. The Occupation Statute is all agreed. That is the way it is. We have agreed upon it and given it to the Germans. Now, the question which remains to be worked out is the Constitution, the Basic Law, of the future German Government. Now, that is a matter in the first instance for the Germans to agree upon among themselves and then to have approved by the Military Governors. I hope that at the earliest possible date that can be done.



Q. Sir, would you care to comment on any residual powers that have been left to the German people under the Statute? It says in there they shall have self rule in legislative, administrative, and judicial matters. Could you be a little more specific on exactly what they would be?

A. I think that what you ought to do is to turn it around the other way. All powers are given in the very first instance to the German people under this Occupation Statute. Now, as to some powers which were enumerated here, running from (a), (b), (c), (d), (e), (f), (g), (h), (i), they say that authority is specifically reserved as to those enumerated powers for the Occupation Authorities to intervene and take positive action. If they do not intervene and take positive action the Germans operate in those fields too. So that the area of power which is proposed under this Occupation Statute to the future German Government is complete. ^{It goes all the way from the beginning to end.} But the Statute says, as to certain enumerated powers we tell you in advance that we may have to intervene here and take some positive action. Now, is that clear?

Q. Yes, thank you.

Q. Mr. Secretary, in the discussions among the Foreign Ministers on Trizonia, was there any discussion of the financial obligations of the United States in a three-zone merger, aside from the weighted vote that has already been announced by the Department?

A. There was no discussion--you mean as to the amount, how much the United States should pay?

Q. I mean in proportion.

A. No, there was not. It wouldn't have been appropriate to discuss that there because that was fundamentally a question which we will have to work out with Congress in the first instance. The amount which is put up by any of the governments is, as you understand, an amount to meet a deficit in foreign exchange. The United States has been putting up a very considerable proportion of that and the British have put up a substantial sum, but not as large in proportion, and the French have not been contributing anything to the foreign exchange deficit. So far as the expenses of the area are concerned, the vast part of the expenses is met in local currency by the Germans themselves. Outside assistance relates only to their foreign exchange problem.

Q. Well, I was thinking, Sir, in terms of American expenditures in the neighborhood of a billion dollars annually.

A. No, I think the answer to your question, Mr. Reynolds, is that that was not discussed.

Q. Mr. Secretary, would that be one of the details that remains to be worked out in the lower echelons?

A. I don't know whether the amount would be worked out by a lower echelon. I should think that that would have to be worked out at a pretty high echelon. At the present time that amount--whether or not it would be continued--would be a matter for discussion. That does not particularly affect the principles of putting the zones together. It's a very important matter in deciding what future American assistance will be offered to Germany.



Q. Mr. Secretary, is it anticipated that the Trizonia will affect the economy in American expenditures?

A. I think I'd rather--I don't believe I know enough to answer that question intelligently.

Q. Mr. Secretary, General Clay has been quoted by one of the German news agencies today, saying he had already signed the merger of the three Western zones, announcement of which could be expected within the next few days. Is that correct?

A. I haven't seen General Clay's statement and I would rather look at what he said, although I have the greatest confidence in your reportorial powers.

Q. It is not my reporting. It is a German news agency.

A. That's another reason for my not commenting.

Q. Mr. Secretary, can you say what action was taken by the three governments to explain to the political leaders in Germany what action was taken here in Washington before they published the position about the Occupation Statute? Were they called in by the Military Governors or was it passed around by the liaison officer or just how was that done?

A. I can't answer that because I don't know. I know that the Military Governors were sent full particulars and it was left to them, as it always is, as to how they should do it and I'm just not informed, ^{Mr. Reston,} as to whether they did it personally or through somebody, and if so whom.

Q. Mr. Secretary, are we now cleaned up on the decisions made on Western Germany, except for the Trizonia Agreement? That is, is there any other decision to be made public?

A. I don't think there are any other decisions, not that I know of.

Q. Mr. Secretary, could you say anything about your discussions with Mr. Bevin on the subject of Greece and the reports that you had rejected the British proposal for increasing the armed forces of the Greek Government?

A. Well, I don't think there was--I don't recall, maybe my memory is very sour, but I don't recall any such British proposal. And I don't think I would want to say anything more on the general subject of our talk.

Q. Mr. Secretary, lest this gets lost in the shuffle, there was a report based on informed sources from Moscow that agrément has been asked for Admiral Kirk as Ambassador to the Soviet Union. Can you confirm that?

A. No, I think that the practice is not to make any comments from here on any proposed Presidential appointments until the White House announces what the President has decided to do.

Q. Mr. Secretary, yesterday you conferred with Ex-Governor Arnall of Georgia on the British film quota and various other motion picture problems.

A. Yes.

Q. I know you have had several other communications on that. I was wondering whether you had any comments on the situation.

A. Well, the Governor explained to me the problems which confronted the part of the industry which he represented and the same difficulties are confronted by a portion of



the industry which Mr. Eric Johnston represents and in which we are also familiar and I told the Governor that the attitude of the Department was to adhere firmly to the view that the American film industry was entitled to and should receive fair and non-discriminatory treatment and that within the proper proprieties the State Department would do all it could to assure the industry of that treatment.

Q. Mr. Secretary, has the Department reached a decision yet as to the ~~XXXXXXXX~~ resuming of relations with Paraguay?

A. I'm told that it has and that the relations are being resumed.

Q. As of when?

A. I believe today. Wasn't that it?

MR. McDERMOTT: Eight o'clock this morning.

Q. Mr. Secretary, can you say anything about your discussions with Foreign Minister Sadak of Turkey?

A. I think I shall not add anything further to what I said yesterday. I think he is going to have a press conference, I believe tomorrow, and I think I'll leave it to him to say whatever is appropriate.

Q. What is the current status of the Arms Program, the Mutual Aid Program?

A. The Arms Program is now in the state of very active and we hope final work between the military establishment and the Department of State and we hope soon it will go through the Budget to the President.

Q. Mr. Secretary, has the Department made any decision as yet on the Mexican Proposal for a loan for oil developments?

A. I'm not familiar with that.

Q. Mr. Secretary, there was a report from London attributed to an anonymous informant there that the Soviet Union had put forth certain feelers with respect to lifting the Berlin blockade and that this had been going on for weeks. Is there anything you can say about that report?

A. I saw that report. That report did not altogether escape me, Mr. Hightower. I think I can only say this, that our attitude in regard to the blockade of Berlin as an obstacle to proceeding with discussions on German problems has been stated many times ~~by~~ both by General Marshall, and afterwards by me, and that there is nothing that I can add to that. I think it would certainly not be helpful or appropriate to speculate on the possible changes in attitude by the Soviet Union from that which it has previously taken. I can add that we have never closed or thought of closing any avenue of communication with the Soviet Union and all avenues are open now, as they always have been. Beyond that I better not comment further.

Q. Thank you very much, Sir.

M. J. McDermott

* * *